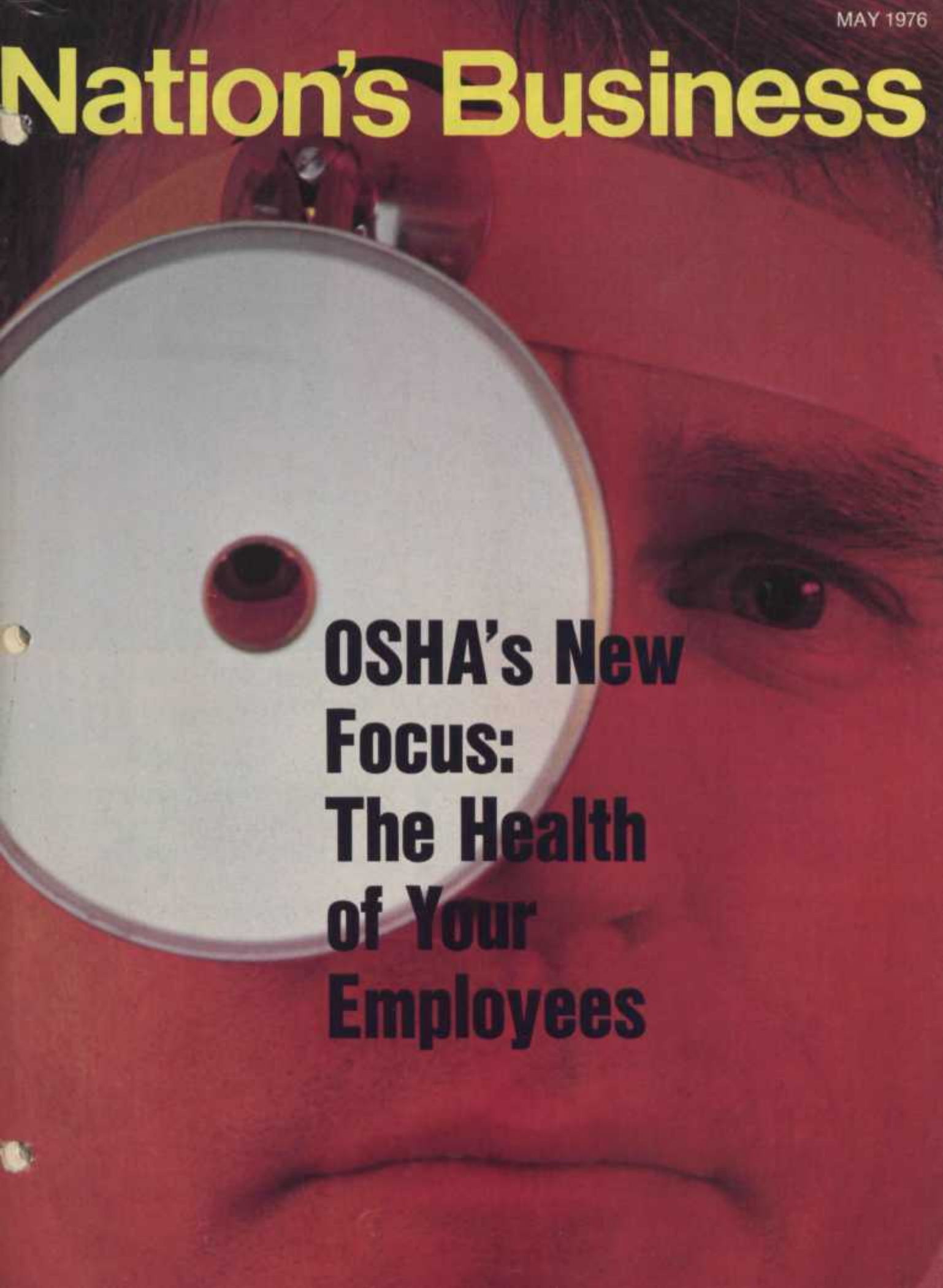
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Nation's Business



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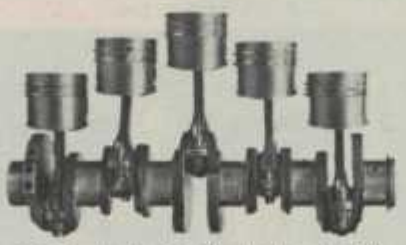
The 5-cylinder Mercedes-Benz 300D. Another engineering milestone that has quietly inspired a change in traditional automotive design.

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Another plus: With the 300D you can forget about that expensive automotive custom known as the conventional tune-up. Because it has no spark plugs, points, distributor, condenser or carburetor, the Mercedes-Benz 300D *never, ever,* needs one.

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What the passenger car should be coming to: The incomparable Mercedes-Benz 300D.

Nation's Business

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Dr. Richard L. Lesher, President.

EDITOR
Kenneth W. Medley

MANAGING EDITOR
Wilbur Martin

SENIOR EDITORS
Sterling G. Slappey
Henry Altman
Vernon Louviere

ASSOCIATE EDITORS
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Robert T. Gray
Grover Heiman

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Ralph Patterson

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ART CONSULTANT
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BUSINESS MANAGER
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What OSHA Is Shooting for Now

THE OCCUPATIONAL Safety and Health Administration has approximately 1,300 compliance officers. Only 248 of them are qualified in the health field.

OSHA's new administrator, Dr. Morton Corn, says the emphasis is about to change. Hundreds of compliance officers will be hired to fill health inspection jobs, Dr. Corn says.

Since OSHA was established five years ago, the agency has emphasized safety standards in plants and offices. Now, the agency will begin to emphasize health as much as safety. Dr. Corn's goal is to have 1,000 compliance officers specializing in health and 1,000 specializing in safety within two years.

Every manager of every company in the country will need to know more about "OSHA's New Focus: The Health of Your Employees" (page 19).

• • •

Another article which should be of keen interest to every businessman is "The Real Story Behind the Unemployment Figures" (page 24).

In this interview, Dr. Seymour L. Wolfbein expresses optimism that in coming years "we will have higher plateaus of employment and lower levels of unemployment."

Dr. Wolfbein is an expert in this field. Now dean of the School of Business Administration at Temple University in Philadelphia, he was head of the manpower and employment statistics division of the Bureau of Labor Statistics from 1950 to 1959 and was a deputy assistant secretary of labor from 1959 to 1967.

One of the reasons for his underlying optimism is the amazing number of jobs which have been added to the American labor market—30 million nonfarm jobs during the third quarter of the century.

• • •

Every businessman is acutely aware of the monthly Consumer Price Index issued by the Bureau of Labor Statistics. But not everyone may be aware that the CPI falls far short of measuring the true living costs of Americans.

For one thing, the index as now computed covers the buying habits of only about 40 percent of the American people. For another, many of the standards used are outdated.

Now, BLS is undertaking a major overhaul of the CPI. You'll be interested in what is revealed in the article, "The Search for a Better Measure of Living Costs" (page 66).

• • •

One of the more important business gatherings each year has just been concluded. This is the annual meeting of the Chamber of Commerce of the United States.

Nearly 5,000 people came to the 64th annual meeting in Washington, April 25-27, to hear government officials, including the President and members of Congress, and top businessmen discuss a wide range of issues.

A highlight of the gathering was the introduction of the National Chamber's new chairman. Herbert S. Richey, president of The Valley Camp Coal Co. in Cleveland, will fill the chairmanship for the next year.

You will want to read Mr. Richey's views on "Meeting the Challenges to Private Enterprise" (page 44). One of his objectives as the National Chamber's chief elected officer will be to bring together "the various voices of business" on matters that are of vital concern to all.

BY JOHN COSTELLO
Associate Editor

What Increases a Manager's Self-Respect

"Self-respect," says Preston G. McLean, M. D., "is a vital part of psychological health."

Psychological health, in turn, is a major factor in physical well-being, he adds.

What is important to the manager's self-respect? That was a task Dr. McLean and the American Management Associations set out to discover.

To do so, they surveyed more than 7,000 company presidents and other managers.

Thirty-three percent replied—the third highest return rate on a survey in AMA history.

The executives were asked to list the three factors that contribute most to a manager's self-respect. Here are the factors listed and the percentages of managers listing them.

	Percent
Feeling that my work is worth doing	76
Working to my capacity	39
Knowing that my organization has a good corporate image	36
Earning an equitable salary	35
Growing on the job	35
Doing the work I love best	30
Being able to advance within the company	27
Knowing I could change jobs without significant losses	9
Feeling confident the company would keep me during hard times	5
Having extra benefits such as travel	2

Most of the managers rated their present jobs highly.

Here's how they evaluated them for these key factors:

	Percent
My work is worth doing	99
I enjoy my work	96
The job fits me well	95
I am proud of my company	94
I am learning on the job	91

Only a minority would be idle, even if they could afford to be.

"If you did not have to work to earn your living," the executives were asked, "what would you do?"

Six out of ten said work, anyway.

From Baseline to Boardroom

"Fear, lapses in concentration, self-doubt. . . ."

Sound like executive shortcomings?

"They can be," says expert Tim Gallwey. "But they're also found on the tennis court.

"These are the mental obstacles that keep us from achieving our best performance in anything—including tennis."

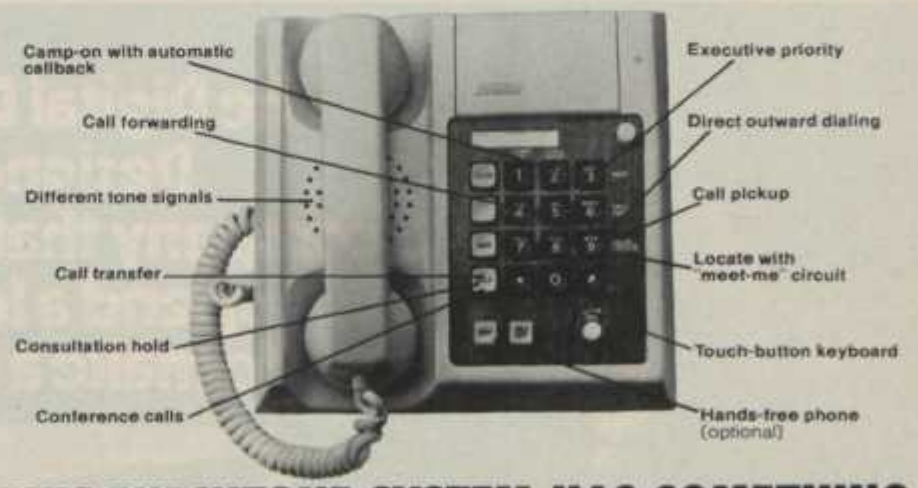
Mr. Gallwey, author of the best-seller, "The Inner Game of Tennis," will air on Public Broadcasting Service stations his psychological approach to besting competitors. GAF Corp. is sponsoring the six-part series that begins Sunday, May 16.

"Tennis," says the diversified chemical corporation, "is the fastest growing family sport. It may even replace golf as the favorite sports activity of business executives."

One survey shows that 34 million Americans now play tennis.

Victory on the court, says expert Gallwey, depends more on mental discipline, relaxed concentration, calmness, and self-confidence than on physical prowess.

"His methods," says GAF Corp., "have application to many other



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sports . . . and possibly even to other life situations."

For example, the executive suite and the boardroom, as well as the baseline.

A Better Year for P. R. Firms?

Reported fee income for the 40 biggest public relations firms totaled $96 million last year. That's 1.58 percent more than in 1974.

The statistics are from the 1976 "O'Dwyer's Directory of Public Relations Firms" ($25). The latest edition lists 704 firms.

Fee income means fees minus such expenses as travel, entertainment, printing, or production costs.

"The tiny rise, coupled with the effects of inflation, shows that it was a tough year for most of the big firms," says publisher Jack O'Dwyer.

However, he adds, "many expect a better 1976."

Here are the directory's top ten based on certified public accountants' statements of size, income, or both. The list includes both independent public relations firms and those affiliated with advertising agencies.

Fee income, in most cases, is for 12 months ending June 30, 1975.

	Fee Income (In millions)	Total Employees
Hill and Knowlton, Inc.	$15.0	531
Burson-Marsteller*	$11.2	380
Carl Byoir & Associates, Inc.	.....	260
Ruder & Finn, Inc.	.....	215
J. Walter Thompson Co. Public Relations*	$6.0	175
Harshe-Rotman & Druck, Inc.	$3.7	137
The Communications Board	$3.3	111
Daniel J. Edelman, Inc.	$3.1	104
Ketchum, MacLeod & Grove, Inc.*	$2.9	95
Manning, Selvage & Lee, Inc.	$2.7	72

*Advertising public relations department or partner.

"Size isn't the sole criterion in selecting a P. R. firm," Mr. O'Dwyer says. "Most are small. Some specialize in a single industry or region."

The directory indexes firms by areas of specialization, geographical location, and clients.

A Who's Who of Consulting Groups

"Reminds me of alphabet soup," says one executive. "Or the New Deal in its heyday."

He refers to the perhaps bewildering number of management consultant groups: ACME, AMC, IMC, and others. To help sort them out, here's a listing of the major associations, compiled by "Consultants News," and its thumbnail description of each:

ACME—Association of Consulting Management Engineers. Represents management consulting firms, including many larger ones. A leader in its field; founded in 1929. Membership: about 50 firms.

Address: 347 Madison Ave., New York, N. Y. 10017



AMC—Association of Management Consultants. Represents management consulting firms. Founded in 1959, largely for smaller companies. Membership: 80 plus, of which about half are one-man companies. Address: 811 East Wisconsin Ave., Milwaukee, Wis. 53202.

IMC—Institute of Management Consultants. An accrediting agency for individual consultants, founded in 1970. Members number about 700, of whom about one third are with ACME firms and one third are with certified public accounting firms.

Address: 347 Madison Ave., New York, N. Y. 10017

SPMC—Society of Professional Management Consultants. Founded in 1959 as an individual accrediting body. Members number about 100.

Address: 41 East 42nd St., New York, N. Y. 10017

AIMCO—Association of Internal Management Consultants. Members, who hold positions as internal consultants, usually with larger corporations, number about 125. Founded in 1970. Address: Box 472, Glastonbury, Conn. 06033.

Managerial Consultation Division, Academy of Management. Members are business school or college professors who do part-time consulting. Membership: about 400.

Address: College of Business, University of Southern Florida, Tampa, Fla. 33620.

Management Advisory Services Division, American Institute of Certified Public Accountants.

A group designed to assist AICPA members in professional advancement of their management consulting work. It represents about 5,000 full-time consultants who are CPA's.

Address: American Institute of Certified Public Accountants, 1211 Avenue of the Americas, New York, N. Y. 10036.

NACMA—North American Conference of Management Consultants. An organization of U. S. and Canadian consulting organizations that work together to hold an annual January meeting of consultants in New York. Address: 347 Madison Ave., New York, N. Y. 10017.

Got that straight?

Selling in a Booming Market

There's a $107 billion market abroad for U. S. goods and services—and it's growing.

Giant corporations aren't the only U. S. firms that sell abroad. Three out of five American exporters have fewer than 100 employees on the payroll.

There's a new service aimed at helping businesses tap that export market: the Trade Negotiation Information Service.

"Its purpose," says director Kay Vest, "is to inform the business community of trade developments that affect individual business interests, as well as the economy as a whole."

TNIS, set up by the Chamber of Commerce of the United States, includes regular bulletins and special reports. Cost: $10 a year.

Today, thousands of companies are ready for computerized data processing, but they aren't willing to pay $100,000 to get it. If that sounds like your company, your company should consider the Datasystem 310.

For under $16,000, you can get a computer system that includes a processor with 16,000 characters of memory, a hard-copy printer, video terminal and on-line mass storage of 670,000 characters of information. You also get software tools to build your own applications programs: billing, accounts payable and receivable, general ledger, sales entry and analysis, inventory control, payroll and more.

In short, you get a system that can tie together all the different parts of your company into one tightly run, tightly controlled operation. So you can improve your cash flow. Streamline your organization. Reduce clerical errors. Plan for cost-effective growth. And make more money.

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A CB Radio in Every Auto?

A Federal Communications Commission ruling that allows the man on the street to use citizens band radios for chitchat may turn a healthy growth for that industry into a runaway boom.

John Sodolski, vice president, communications division, Electronics Industries Association, estimates that 4.2 million of the transceivers were shipped last year. Including installation charges, antennae, and other accessories, he says, retail value was about $1 billion.

About 85 percent of the CB radios were imports from Japan.

At first, FCC tried to ban "hobby talk" by CB radio operators. When FCC gave up this effort last September, experts immediately estimated sales would grow to $1 billion within a year. This year, Mr. Sodolski says, sales should reach $1.5 billion.

Up to FCC's change of heart, idle talk was forbidden on CB radio, which is used by businesses, farmers, truckers, and ordinary citizens. But the FCC rule was constantly violated. More and more people simply put the radio units, which transmit and receive, to personal use.

In effect, users operated as ham radio operators without taking the stiff exams these licensed radio operators must pass.

FCC, recognizing that it couldn't police the frequencies, then removed its ban on using CB radios for hobby purposes. In the future, it will restrict its efforts to halting illegal practices, such as operating without a license, use of obscenity, and malicious interference.

In 1974, FCC issued 425,000 license permits, which don't require any exams. Last year, it issued more than two million. Requests now come in at a 500,000-per-month clip. It's estimated that about ten million sets are in operation in the U. S.

The popularity of the transceivers, as the electronics industry sees it, will ultimately grow to the point where having a CB radio in the automobile will be as common as having an AM or FM car radio. •

Lasers Make Metal Go Further

Aerospace firms have a new laser cutting technique that promises to produce savings in time and money and an estimated 30 to 50 percent reduction in aluminum scrap.

According to the Aerospace Industries Association of America, Inc., a number of firms participated in a year-long series of tests in which they used laser beams to cut parts from flat, thin sheets of aluminum. A numerically controlled laser cutting arm was used with a computer data bank that determined the most efficient method of positioning a flat sheet of metal to get the most parts.

The method now used by the industry is essentially one developed during World War II. The next step, under a program funded by the Air Force, is to use higher powered lasers on thicker sheets of aluminum. •

Richer in Uranium Than We Thought

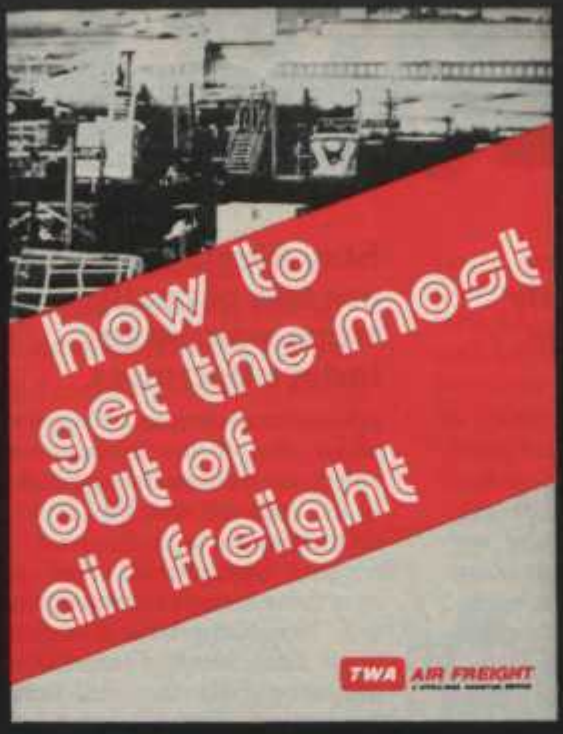
The Energy Research and Development Administration says the nation is better off in uranium, the basic fuel for nuclear power plants, than previously estimated. Known national reserves will yield 640,000 tons of uranium oxide, an increase of 40,000, ERDA says.

ERDA estimates that 270,000 tons can be processed at a cost of $10 per pound, 160,000 tons at $15 per pound, and 210,000 tons at $30 or less per pound.

New Mexico is rich in the better grade of ore, which is the cheapest to process. That state has 56 percent of the top grade deposits. Wyoming has 27 percent; Texas, six percent; and

continued on page 72D

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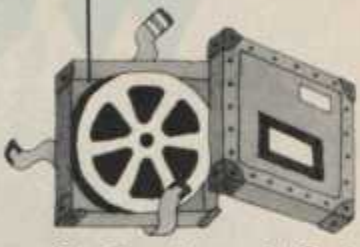
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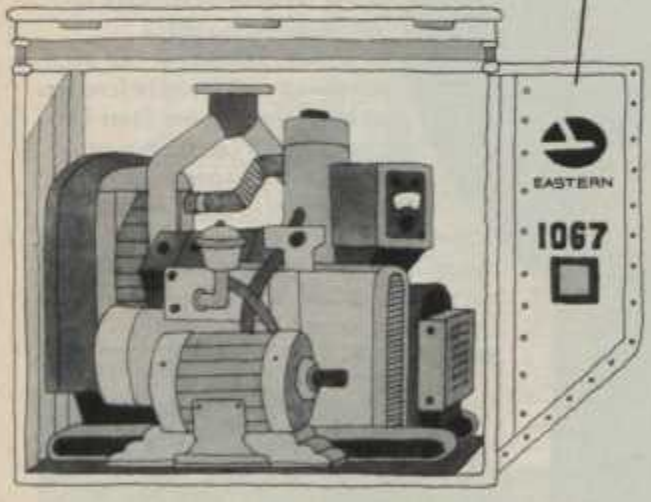
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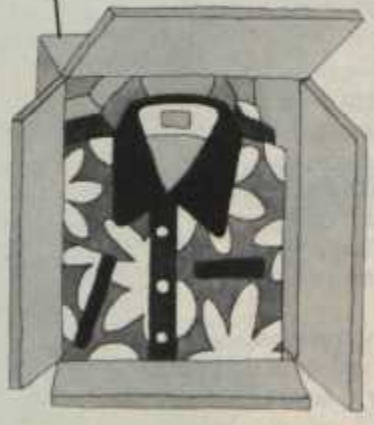
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BY JAMES J. KILPATRICK

Another Uproar Over the Freedom to Choose

Just before Christmas of 1975, a man and a woman were arrested in Rochester, Minn., on charges of smuggling. Because the story appeared to involve interesting questions of personal freedom, I looked into it.

Since then, a perfectly splendid uproar has developed, and I am minded to kick it around with you. The story deals with a substance, a law, and a principle. My own concern goes solely to the principle, but you will need to know something of the substance and the law.

The substance is known chemically and pharmaceutically as amygdalin. It has been around a long time. According to some references, the Chinese used it in the form of bitter almond for the treatment of tumors 3,500 years ago. The ancient Greeks and Romans also reportedly used it. In 1830, European chemists isolated and extracted amygdalin in pure form, splitting it by an enzyme complex into hydrogen cyanide, benzaldehyde, and glucose. The most convenient source of amygdalin is the apricot kernel, though the substance is said to occur naturally in some 1,200 plants, fruits, and vegetables.

For several generations after the European experiments, no one appeared to take much interest in amygdalin. In 1952, Dr. Ernst T. Krebs, Jr., a San Francisco biochemist, advanced a theory that cancer may be a deficiency disease like scurvy or pellagra. Out of his experiments, to shorten the story, came the formulation of amygdalin as Laetrile. Dr. Krebs insists Laetrile is not a drug—he has no proprietary interest in it, and it is not covered by enforceable patents. He identifies the substance as vitamin B-17.

The medical establishment has rejected amygdalin absolutely as an agent in cancer therapy. As early as 1953, the California Cancer Commission condemned it. No scientifically acceptable tests ever have demonstrated its usefulness. Recognized authorities assert flatly that the substance is not a vitamin. The Food and Drug Administration regards Laetrile as a "new drug," which not having been properly certified as both safe and effective, cannot lawfully be prescribed, sold, imported, or transported for therapeutic purposes. In FDA's view, any promotion of Laetrile is a "fraud upon the public."

It is not altogether clear how the substance got to be so unlawful. Until a few months ago, amygdalin was being lawfully imported as a vitamin supplement for sale in health food stores. The 1975 "Drug Topics Red Book," the pharmacist's standard guide to products and prices, routinely listed the availability of amygdalin. In any event, in the form of Laetrile, most conveniently available in Mexico, the government has declared the stuff an adulterated and misbranded product, to be regarded as contraband.

Early last December, customs officials in San Diego, led by Special Agent Gene L. White, began to work up a case with an unidentified informant. According to affidavits on file with the court proceedings, the informant advised Agent White that he had been asked to smuggle 5,000 B-17 capsules into the United States for shipment to one purchaser in Rochester, Minn., and another 300 capsules to be sent to an associated buyer in Rochester.

The affidavits recite: "Arrangements were made with the district director of customs, San Diego, to have the contraband B-17 (Laetrile/amygdalin) conveyed into the country for mailing." At approximately 7:10 p.m. on Dec. 10, "under the supervision of Special Agent White," the informant crossed the border, bringing in the contraband. The tablets were turned over to Agent White, who on Dec. 11 packaged, addressed, and mailed 5,000 of them to Mrs. Donna Schuster at her address in Rochester. Agent White put a return address of "J. Hoover, San Diego" on the package. Actually, the package was not mailed, for on the following day Agent White retrieved it from a post office under a search warrant.

On Dec. 20, after arrangements had been worked out with postal inspectors, Agent White completed the mailing. The package then was delivered by hand, at a fixed hour, on Dec. 23. Customs agents, armed with a search warrant, watched Mrs. Schuster's home until the mailman left. Then they made their raid, and surprise! There was the contraband package. Simultaneously, pursuant to the same arrangements, agents raided the home of Don Hanson, Mrs. Schuster's partner in a health food business, and confiscated a separate package of 299 capsules—the informant had been one shy.

Then, on Jan. 9, a federal grand jury in San Diego indicted Mrs. Schuster, 46, and Mr. Hanson, 44, on charges of smuggling "amygdalin, also known as Laetrile" in violation of 18 USC 371 and 545. The defendants, at this writing, are awaiting arraignment and trial on their pleas of not

guilty. If convicted, they face fines of up to $10,000 and up to five years in prison. The government has arrested, indicted, and prosecuted a number of other defendants over the past two or three years, chiefly in California and New Jersey, on similar charges of dealing in amygdalin. The Schuster-Hanson case is typical; it is not unique.

While all this has been going on in San Diego, the law has taken a diametrically opposite turn in Oklahoma City. There, U. S. District Judge Luther Bohanon has listened sympathetically to the petitions of cancer victims who want Laetrile. At least twice, he has entered orders authorizing its purchase and administration. Ironically, one petitioner had been obtaining amygdalin from Mr. Hanson in Rochester.

In a case involving a cancer victim named Glen Rutherford, Judge Bohanon made these rulings: "The court finds that Laetrile has been in use for a number of years in Mexico and other nations around the world. . . . The court finds from the record, testimony, and exhibits that Laetrile is not lethal in any sense of the word. It is not harmful to the human body and when used in proper amounts under proper supervision can effect relief from cancer disease to the satisfaction of many who are privileged to use the same. The court further finds from the record that the plaintiff Rutherford herein and those similarly situated have been denied this right of choice in using B-17 or Laetrile without just cause . . . [and that this is] a deprivation of life, liberty, or property without due process of law."

So much for the substance and the law. Let me turn to the principle. The principle is freedom.

One of the most basic concepts of a free society is that the role of the state is limited. This principle holds that the state has no business proscribing individual conduct, so long as such conduct does no demonstrable harm to anyone else. In a free society, men must be left free to act wisely or to act foolishly. Within rational limits, the state must leave its citizens free to choose. It has been 200 years since the Declaration of Independence proclaimed this freedom an unalienable right.

In that same Declaration, Jefferson succinctly defined the essential function of government: It is to make that right secure. But in the case at hand, or so it seems to me, the government is destroying that right instead.

In the matter of amygdalin, both the government and the ruling medical establishment manifest an insufferable arrogance. This is the lofty notion of father knows best carried exponentially to the level of criminal prosecution. The nonconforming doctors and assorted eccentrics who challenge the government and the medical establishment are regarded as not merely misguided: They are criminals, smugglers, felons! The government's cruel purpose is to put them in prison.

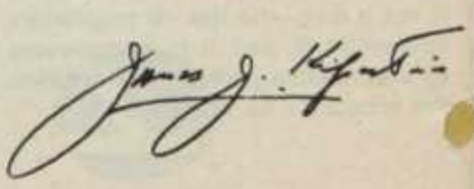
Over the years, the medical establishment has found no warmer friend than I among the columnists. Now, this same establishment is outraged at my impudence in writings outside these pages that challenged the establishment's power and omniscience. A doctor in Pennsylvania has cited me to the National News Council for spreading lies. A doctor in Louisiana declares me criminally irresponsible. A spokesman for FDA says I have written misleading articles and "falsely suggested that Laetrile is a harmless substance whose use is free of any risk."

The government-establishment objection is that cancer victims who take Laetrile "may delay or interfere with early diagnosis and swift treatment by orthodox methods." The further objection is raised that because amygdalin contains cyanide, in certain circumstances it is potentially lethal. Still another complaint is that the "quacks" are reaping a fortune in selling the stuff. Besides, it is said, amygdalin emphatically is *not* a vitamin, and the reports of successful use are mere testimonials having no empirical value.

Well, humbug! Members of the reigning medical establishment have no idea what causes cancer. They treat it with surgery, radiation, and chemotherapy, and sometimes these treatments succeed. But 350,000 persons die of cancer every year because these orthodox methods fail. It strikes me that in a free society, a terminal cancer patient, having been earnestly and emphatically warned that Laetrile is worthless, has an absolute right to try it if he wants to. If the patient believes the stuff will help, maybe it will help. Who knows? It seems plausible that somewhere among the four billion inhabitants of this planet, some human being might just possibly respond to an extract of apricot kernels. Our ignorance of these things is galactic.

Heaven knows, I am not recommending Laetrile for anyone. To the best of my knowledge, after reading quantities of material on both sides, the stuff is worthless as a therapeutic agent. A cancer victim would be a fool to turn to Laetrile until he had exhausted all conventionally approved means of treatment. But it is immaterial whether the stuff is or is not a vitamin; scientists have disagreed before on what vitamins are. And like Judge Bohanon, I am satisfied that the stuff is no more toxic or lethal than, let us say, the sodium fluoride put in drinking water.

The point is freedom. We lose it by chunks, by bits, by grains. Daily we yield more authoritarian control to the state and to the "experts." I love doctors; I rely on them; I admire their skill in curing so many ills of humanity. But I ask, in the name of the Founding Fathers, who will cure the sickness of freedom?







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James A. Lange, pastor of University Methodist Church, Syracuse, N. Y., has a question. "Our financial outlay at the UN toward peace and interdependence of nations may look like a prohibitive sum," he says. "Is it really so much compared to what we are spending in fear of war?"

T. H. Rowell, Jr., president of Rowell Laboratories, Inc., Baudette, Minn., takes a different view. Leave the UN, he says. "From the businessman's point of view," he adds, "the return on investment is unbelievably low."

Garry D. Shaw, president of Cossack Caviar, Inc., Seattle, Wash., sees another advantage in withdrawing financial support. "This would help to balance the national budget and avoid deficit spending," he says. "It does not mean that we would have to stop negotiating for peace."

Josiah S. Heal, treasurer of the Spaulding Co., Inc., Randolph, Mass., wants out, too. "The United Nations has degenerated into a forum for the many small countries to insult the United States," he says.

No, it's better to be in, says John B. Hohenstein III, president of Oglethorpe International, Savannah, Ga. What happens in the General Assembly is immaterial, he reasons, "since the General Assembly has no powers. Because of our veto, we cannot be outvoted in the Security Council. However, if we were to withdraw from the UN, we would obviously not be present to cast our veto."

Edwin B. Frank, chairman of Frank & Son, Inc., New York, also says the U.S. should stay in the UN. "We should help reconstruct it," he explains, "so that voting as well as financial support is equalized by a formula that would be fair to large and small nations."



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Reforming the Federal Regulatory System

My congratulations to Pepsico Chairman Donald M. Kendall for his cover article, "How to Halt Excessive Government Regulation" [March].

I would like to add two additional suggestions on how businessmen can deal with government regulation.

First, they should support and help implement legislation that myself and several House colleagues have introduced to require Congress and the President to carry out a comprehensive reform of the federal regulatory system by 1981.

The Regulatory Reform Act of 1976 (H. R. 11729) also would require each government agency to justify its existence periodically or submit plans for the agency's reduction, merger, or abolition.

Secondly, business must take steps to convince the consumers that regulatory reform helps them by reducing prices, cutting inflation, and increasing competition. The true message is that overregulation costs everyone.

DAVID F. EMERY (R.-MAINE)
Member
U. S. House of Representatives
Washington, D. C.

I have a small hearing aid business and am the immediate past president of the National Hearing Aid Society. The Federal Trade Commission is seeking to impose on our industry unreasonable regulations we could not live with. I am positive that once those rules are adopted, they will be extended to all businesses.

FTC has picked us as its first target because we are probably one of the smallest industries in the country and our funds to contest the commission are running out.

I hope the business world will awaken to this emergency and, for once, present a solid front to this bureaucratic attack. I hope it will not, as I read Mr. Kendall's suggestion, just learn to live with regulation. I would like to see someone show enough leadership to enable business to do something about government by bureaucratic rule.

The hearing aid industry is ready to fight. Will the rest of the business world stand by and let us fall?

MARVIN H. PIGG
Colorado Springs, Colo.

A recurring theme of Mr. Kendall's article is how to regain public support for industry. Public opinion may now favor government regulation, but only because our air is polluted and hundreds of lakes and rivers are undeniably dead.

I believe the optimal solution is dual responsibility—government regulations that would serve only as guidelines for socially responsible behavior by business.

Another alternative would be a four-way approach: self-regulation by business; guidelines set by government; an enforcement agency separate from the guideline-setting agency; and consumer responsibility.

ROBERT G. O'BRIEN
Senior marketing major
Xavier University
Cincinnati, Ohio

Postal productivity

James J. Kilpatrick did his homework, for the most part, prior to writing his column, "Finding a Postal Service Solution" [March]. My compliments to him. Would that more commentators did the same.

I have a major disagreement with Mr. Kilpatrick, however, when he attempts to show that the Postal Service now has more workers to handle less mail than it did in 1971.

Mr. Kilpatrick states that the work force in 1971 was 546,000 and now

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numbers 559,000. His figures, as he notes, exclude part-time substitutes. Why? They are part of the total work force.

According to the latest annual report to Congress by the postmaster general, a 1971 work force of 741,216 persons handled 84.9 billion pieces of mail. In fiscal 1975, 702,256 employees handled 89.27 billion pieces of mail. To the extent that the postmaster general's figures are correct, it would seem to me that about 40,000 fewer employees handled about 4.4 billion more pieces of mail. That represents increased productivity in my book.

With respect to postal employees' wages, I regret that Mr. Kilpatrick did not discuss the low levels of compensation in effect prior to the 60 percent increase he cites in the 1970-75 period. We have indeed improved wages and working conditions of postal workers through free collective bargaining, and it is generous of Mr. Kilpatrick to attribute that success to "strong, shrewd, and savvy union leadership."

While our union has not always been in agreement with postal management, we are not yet ready to give up on postal reorganization. It is significant progress that only 12 percent of postal revenues now come from general tax revenues, compared with 24 percent prior to the 1971 legislation that converted the old Post Office Department into the Postal Service.

In any event, I hope we can have more dispassionate and objective comment on postal matters, as Mr. Kilpatrick gave us for the most part.

JAMES H. RADEMACHER
President
National Association of Letter Carriers
Washington, D. C.

Mr. Kilpatrick notes that the constitution of the Confederate States of America specified that the Confederates' post office department be self-sustaining from March 2, 1863, onward. He then writes: "The notion that a post office department can pay its expenses out of revenues has proved to be no more than a romantic southern dream."

The fact is that the Confederate post office department was self-supporting during its entire history.

John H. Reagan, Confederate postmaster general throughout the war, wrote in his memoirs that the postal service "was from the start made self-sustaining and . . . each year from 1861 to 1865 there was annually a net increase of receipts over expenditures."

EPPA HUNTON IV
Richmond, Va.

It is not correct to say that installing business management at the Postal Service has failed to solve problems of that service.

Business management principles have really not been used.

What good businessman would allow a 60 percent wage increase in five years for his workers while similar workers were getting 38 percent? What businessman could live with a union contract that provides cost-of-living increases and forbids layoffs?

It is time to run the postal service as a genuine business, not merely as a facade for government meddling.

PAUL HUBER
Meadville, Pa.

Correction



Herman J. Russell



Jesse Hill, Jr.

[Editor's Note: In the "Bicentennial Salute to American Cities" article on Atlanta in the April issue, pictures of Herman J. Russell and Jesse Hill, Jr., were transposed. Mr. Russell and Mr. Hill are correctly identified above. Mr. Russell is a major Atlanta building contractor and chairman of the Citizens Trust Bank. Mr. Hill is president of Atlanta Life Insurance Co. and is vice president of the Atlanta Chamber of Commerce.]

continued on page 74

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Newport News Shipbuilding	613,501	490,398
Natural Gas Pipelines	1,213,555	925,375
Oil and Gas Production, Refining, Marketing	1,450,732	1,439,614
Chemicals	349,316	367,843
Packaging	373,229	363,940
Agriculture, Land Development	178,279	196,593
Investments	20,008	8,135
Intergroup Sales	(99,065)	(95,889)
Total	$5,630,338	$5,001,470
NET INCOME	$ 342,936	$ 314,149
PREFERRED AND PREFERENCE STOCK DIVIDENDS	29,387	35,549
NET INCOME TO COMMON STOCK	$ 313,549	$ 278,600
EARNINGS PER SHARE OF COMMON STOCK:		
Average shares outstanding	$ 4.15	$ 3.98
Fully diluted	$ 3.63	$ 3.35
Average number of shares outstanding	75,608,800	70,079,891

1975 was a year which dramatically demonstrated the advantages of Tenneco's planned program of multi-industry, multi-market diversification in basic businesses.

Despite inflationary pressures and a sluggish economy, the company achieved operating revenues of $5.6 billion and net income of $342.9 million—the best year ever for Tenneco.

Earnings per common share were $3.63 versus $3.35 a year earlier on a fully diluted basis, and $4.15 as compared to $3.98 on a primary basis. At the same time, Tenneco's common stock dividend was again increased, and is now at the annual rate of $1.76 per share.

The mix of earnings among the company's major businesses was somewhat different from previous years, said Wilton E. Scott, chairman, president and chief executive officer. Some Tenneco companies were able to maintain the momentum of the past. Others were confronted with problems of supply, higher operational costs or reduced consumer demand. All, however, remained strong and positioned themselves for further growth, and their combined results set new financial records.

Growth and strength through diversification has been a long-term Tenneco goal. The results of 1975 provide evidence that this goal is being achieved.

For more facts and figures about Tenneco's performance in 1975, write: Tenneco Annual Report, Section B, P.O. Box 2511, Houston, Texas 77001.

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Tenneco



OSHA's New Focus: The Health of Your Employees

THERE IS A NEW emphasis at the controversial Occupational Safety and Health Administration that is certain to have a significant impact on business.

That emphasis is on occupational health in the five million workplaces that come under OSHA's jurisdiction, says Dr. Morton Corn, assistant secretary of labor for occupational safety and health. If he is able to carry out his far-reaching plans, the agency will be as deeply involved in on-the-job health inspections as it is today in safety.

Increased costs

Conceivably, due to the cost of compliance with OSHA standards, some plants may have to close their doors. At the very least, any increased costs may affect consumer prices and export sales.

Dr. Corn is a 42-year-old former professor of occupational health and chemical engineering. He took over OSHA's top job Dec. 2, 1975, and is the man responsible for charting the agency's new course.

That course is in line with a congressional appropriations conference committee's call last year for OSHA to emphasize health. The committee also called for the agency to upgrade its inspection staff through retraining, and to simplify standards, develop an on-site consultation program, and concentrate on industries with the biggest health and safety perils.

Sharing center stage

Occupational health, of course, is part of the agency's original charter. However, health took a back seat during the first five years of OSHA's existence. Now it shares center stage.

Current OSHA standards pertain almost entirely to safety hazards. In recent months, emphasis has swung strongly toward consideration of standards on chemicals and other agents that may affect health in the workplace.

OSHA's safety orientation is obvious from the composition of its staff. Of some 1,300 compliance officers, only 248 are industrial hygienists working in the health field.

Dr. Corn hopes to change this. Hundreds of additional OSHA compliance officers hired, he says, will fill health inspection positions. His goal is to reach parity within two years—1,000 compliance officers each for health and safety.

"We will not move into the health area, however, at the expense of our safety effort," Dr. Corn says. Vacancies in the safety inspectors staff will be filled, he explains, but the staff will not be expanded.

In addition, he plans to establish a technical support organization to provide needed expertise in both safety and health to inspectors in the field. This added expertise, he hopes, will improve his agency's ability to evaluate plans proposed by businesses to comply with OSHA standards.

For example, engineering controls, such as a filtering system, need to be evaluated for their effectiveness.

A face-lifting for OSHA

If Dr. Corn's target date is met, this technical support group will also be in operation by 1978.

Another goal of the new OSHA chief is improving the agency's im-

age. Small businesses in particular have complained bitterly about OSHA's safety standards, which they find onerous, and the attitude of some OSHA inspectors, which they find infuriating.

The agency has already begun to simplify safety standards. In addition, Dr. Corn plans to start a training course to improve the comportment of inspectors. Both efforts are aimed at eliminating abrasive factors that have alienated business.

"In those areas where the agency has run into trouble on safety standards—trivial and irritative standards—we are setting a procedure in motion to get rid of them," Dr. Corn says.

Much of business's irritation with OSHA is traceable to the consensus standards adopted by the agency shortly after it was established in 1971. These complicated standards were not written for laymen. Furthermore, the rules didn't always cover all types of employees.

Dr. Corn says they were written for an average worker, who was defined as a 154-pound healthy male. Some 38 million women in the United States are now employed. More and more of them hold jobs once traditionally held by men.

To simplify its standards, OSHA has retained a firm to prepare easy-to-read versions of the most often violated safety standards. The standards themselves will be retained. However, the simplified versions are expected to answer most questions employers have about OSHA's safety requirements.

A course in diplomacy

Compliance officers' attitudes will be the target of a new human relations program OSHA will conduct at its training institute in Chicago. Every compliance officer will take the course in how to deal diplomatically with the public and business.

All safety compliance officers will go through the training sometime during the next three years. Those newly hired, both safety and health inspectors, will receive the course at the start of their apprenticeship.

While he is determined to recast the agency's image, Dr. Corn isn't convinced that all criticism of OSHA is valid. "We have some superb people," he says. "I've seen them operate."

He estimates that only about 50 of the compliance officers may be the source of complaints about OSHA inspections, although all the officers will have to attend the training program. He leaves the impression that those who fail to measure up won't remain on the staff.



PHOTO: CHARLES ESTES—PFI

A major problem for OSHA in putting more emphasis on health in the workplace is the development of adequate standards. For example, how much lead can a worker be exposed to without harm to health? How much sulfur dioxide? A proposed OSHA standard on noise is particularly controversial.

Staffing and standards

Among other problems facing Dr. Corn, in his efforts to put more emphasis on health aspects of the workplace, are staffing and standards.

"We recognize," he says, "that there are only about 2,000 industrial hygienists in the United States. Therefore, it will not be possible, in general, for OSHA to hire experienced health compliance officers."

His solution is to hire bright, capable college graduates with degrees in science or engineering and train them. They will become apprentices under senior health compliance officers. During the first year of employment, they will rotate between the field and the classroom.

"Apprentices will be approved by senior compliance officers for a specific type of business establishment," Dr. Corn says. "After two or three field trips, a man may then be given the go-ahead to inspect a foundry or a refinery. But new compliance officers will not get a go-ahead for all types of facilities, until senior personnel check them out."

Why instruments are needed

A key part of the program will be training in the use of sophisticated monitoring instruments. Most of the agents suspected of affecting health aren't readily detected by the human senses alone, Dr. Corn says.

"You're not dealing with obvious safety hazards, like unguarded openings in a floor," he says. "So I feel our opportunity for impact here is great. We need standards and compliance inspections by people who understand those standards."

He refers to the occupational health situation as a sleeping giant.

He says: "We don't even know how big the problem is. We have very poor statistical gathering tech-



Dr. Morton Corn, OSHA's boss as assistant secretary of labor for occupational safety and health, says he won't make snap decisions on standards. "Let's not knee-jerk," he says.

niques. The signs and symptoms of occupational diseases are indistinguishable from other diseases that befall mankind."

What's unhealthy?

Without question, the major challenge facing OSHA is the development of adequate health standards. This may partly explain why the agency has concentrated on safety in the past. Defining a safe ladder is obviously easier than evaluating the health hazards, if any, of some 10,000 new chemicals that enter the workplace each year.

Presently, OSHA has standards on vinyl chloride, asbestos, and 14 carcinogens. Standards have been proposed for toluene, lead, ketones, trichloroethylene, inorganic arsenic, ammonia, coke oven emissions, beryllium, and sulfur dioxide. There also is a controversial proposed standard on noise. Dr. Corn says two separate categories of chemicals are involved in the proposals:

Those having toxic properties known to scientists and to the employer.

Those whose health properties are unknown.

Policing the workplace

"Even if OSHA expands its capacity to deal with all those chemicals with known toxic potentials," he asks, "how will it deal with those chemicals for which toxicological evaluation has not been performed? That question troubles me."

In controlling employee exposure to toxic substances, the OSHA head says that biological monitoring is of great importance.

This is particularly true, he adds, when you are dealing with substances, such as lead, where concentration in the blood is a significant indication of exposure.

The proposed OSHA standard on lead includes a provision for medical surveillance. This calls for periodic biological monitoring of employees and requires the employer to make available, without cost, full checkups, including pre-employment examinations. The employer will have to retain the results of biological monitoring and physical examinations for a period of 40 years. This added cost, Dr. Corn realizes, won't be popular with employers.

Dealing with the unknown

For chemical compounds without known toxic properties, the present procedure is to wait until some symptoms of harm are noted. Dr. Corn objects to this approach. He has said he favors passage of a toxic substance bill to provide a mechanism for mon-

itoring and controlling the effect of chemicals on workers.

He also believes the burden of proof of a chemical's nontoxicity should be on the user, not the regulator.

OSHA faces complex decisions in fixing health standards for the shop, factory, or business office. The proposed standard on lead, for example, has brought out the problem of women and heredity. A safe level for a healthy 154-pound male is unsafe for women of childbearing age. Nor is it safe for people with sickle-cell anemia.

Some tough questions

Should women be denied jobs in certain industries unless they are past childbearing age? What do you do about hiring women who no longer intend to have children? What are the implications for our equal employment laws? If you make the workplace safe for all, will it force the firm to close?

After raising these questions, Dr. Corn says:

"A woman is a sensitive creature, and we've come late to recognition of the health problem. Now, it is staring us right in the eye."

He doesn't believe that regulating one chemical at a time is the right approach. Nor is he sure yet what groups of chemicals deserve priority examination. To move in that direction, however, his agency and the National Institute for Occupational Safety and Health have developed a closer working relationship. This, it is hoped, will aid in establishing such priorities.

NIOSH, an agency of the Department of Health, Education, and Welfare, develops the criteria on which OSHA bases its standards.



PHOTO: DOUG WILSON—BLACK STAR

The nation's 38 million working women will get special attention from OSHA. Should women, for example, be denied certain jobs unless past childbearing age? Would this violate equal employment laws?

Dr. Corn has a bachelor's degree in chemical engineering from Cooper Union. He received his master's and doctor's degrees from Harvard University in industrial hygiene and sanitary engineering. He is an authority on air pollution and has held positions with the old Atomic Energy Commission, the Public Health Service, and the National Science Foundation.

He came to OSHA from the University of Pittsburgh, where he was a professor in the graduate department school of public health and school of engineering. He has also had extensive experience as a business consultant on occupational health and industrial hygiene.

Thus, Dr. Corn is well qualified technically to head OSHA. His ability to manage an agency with 2,200 employees, 100 offices across the nation, and a proposed budget of $127 million has yet to be proven.

In the past, managerial ability has been the principal criterion used when selecting people to fill key OSHA positions. Dr. Corn says he puts technical ability first. "This tells you what we want in this agency—professionalism."

What labor dislikes

Dr. Corn's past involvement with industry has made labor restless. The unions fear that current efforts to have OSHA provide on-site consultation will siphon manpower away from the agency's prime role of inspection and standard-setting.

But Dr. Corn says: "You cannot regulate, and then deny a person assistance, after you have called attention to a violation." He admits he isn't sure yet just how to keep the regulatory and consultation functions separate.

On-site consultation in occupational health and safety programs now is provided by 35 states and territories. A bill, H. R. 8618, sponsored by Rep. Dominick V. Daniels (D.-N. J.) and passed by the House last year, would authorize OSHA to provide this service where the states don't. A companion bill has been introduced in the Senate.

Up till now, the federal agency has not been authorized, funded, or manned to provide free on-site con-

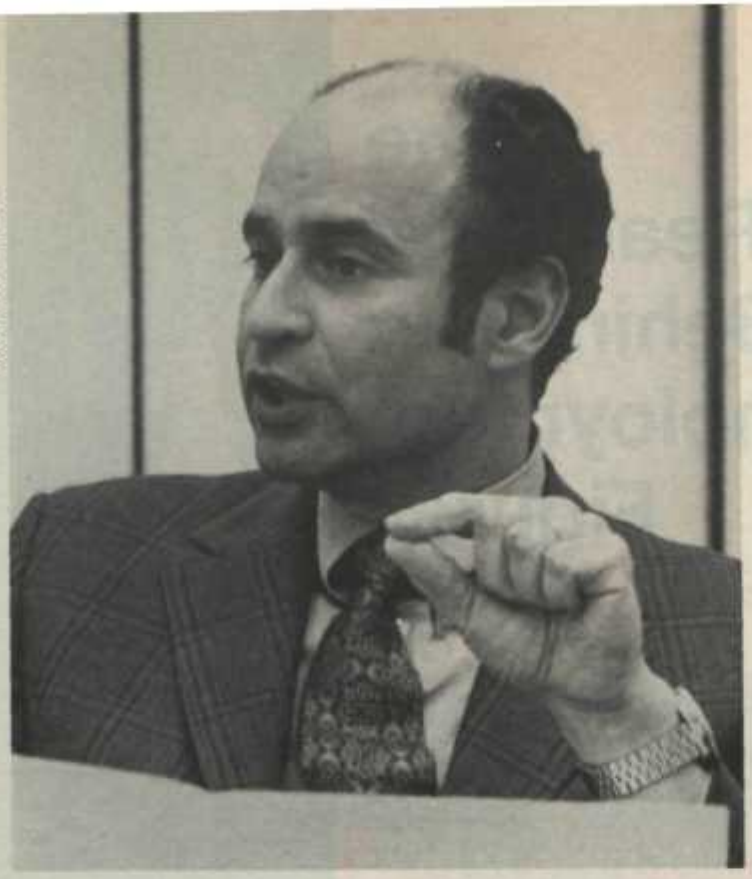


PHOTO: MAGGI CASTELLON

"We will not move into the health area," Dr. Corn says, "at the expense of our safety effort." He pledges better training for inspectors.

sultation—a service much in demand from small business.

"I believe in the concept," says Dr. Corn. "But how do you get the formula? We're looking for answers."

Looking before he leaps

Dr. Corn says he won't rush headlong into a consultation program. Instead, he intends to look first at the experience gleaned from state-administered programs. Only then, he adds, will he make recommendations for his own agency.

OSHA's existing programs are expected to get the same careful scrutiny and evaluation from him. Prior to his arrival in Washington, OSHA officials had decided to emphasize inspection of industries with the highest likelihood of accidents or job-related illness. Iron and steel foundries, metal-casting, and metal-stamping industries were the first targets selected for this special safety drive.

OSHA once said additional target industries would be selected this spring. Now, that decision has been put off until Dr. Corn evaluates the results of the initial effort.

The clock ticks

The new OSHA chief also says he will not be pressured into snap decisions on occupational health standards and enforcement procedures. Despite the demand from some groups that OSHA write tough standards immediately, Dr. Corn says he will rely on scientific data in drawing up standards.

"The clock ticks, and I am acutely aware of that," he says. "But I say, let's look a little more closely. Let's not knee-jerk."

Dr. Corn emphasizes the need for coordination between government agencies to promote health and safety. This became apparent recently, he believes, when the chemical kepone not only affected the health of employees in a Hopewell, Va., plant, but also found its way into the James River.

"As a result of this incident," he says, "steps have now been taken to amend this deficiency. The Environmental Protection Agency, the Occupational Safety and Health Administration, the Food and Drug Administration, the Department of Agriculture, and the National Institute for Occupational Safety and Health have reached an understanding whereby information can be transferred to the other agencies and they will be notified immediately."

Dr. Corn is optimistic about persuading management, labor, and other interested parties to work together to develop safety and health standards and reasonable timetables for putting them into effect.

What business can expect

Business can certainly expect health compliance inspections. In the past, OSHA says, it has scheduled plant visits on the basis of safety and accident statistics gathered by the Bureau of Labor Statistics. The incidence of occupational diseases hasn't been cranked in, however, because it wasn't known.

But things will be different in the future.

"We plan to factor into our inspection priority recognition of at least the classic, well-known hazards relating to chemical and physical agents that may affect employee health at work," Dr. Corn has told the Manufacturing Chemists Association.

Before much of this program can go into effect, Dr. Corn's staff must prepare standards and build a health compliance staff.

His expressed concern for the health of workers is tempered, he says, with an awareness of economic factors involved in OSHA actions.

He clearly recognizes the pressures on OSHA from many directions. The agency has made labor, business, and Congress unhappy. Special interest groups are incessantly pounding on the table.

This may explain why Dr. Corn works at a desk facing a blank wall in a spacious office in the new Labor Department building—to avoid some of these distractions as he redirects the agency's emphasis toward occupational health, as well as safety, in the workplace.

"Indeed," he says, "there is a sleeping giant here that needs attention." END

The Real Story Behind the Unemployment Figures



PHOTO: GEORGE TAMES

A leading authority on employment statistics says there is widespread misunderstanding of their significance. He also says the outlook is good for more jobs and less joblessness

Is UNEMPLOYMENT in America on a new plateau?

With joblessness figures still high by postwar yardsticks despite the recovery from the recession, many businessmen are asking that question.

The answer from a leading authority on employment statistics, Dr. Seymour L. Wolfbein, is an emphatic no.

Dr. Wolfbein, long a top official in the federal agency that compiles employment and unemployment figures and now dean of the School of Business Administration at Temple University, says America is on the way back to unemployment levels that prevailed for more than a quarter of a century.

Barring unforeseen circumstances, such as another oil embargo, he says the statistics indicate that, "in coming years we will have higher plateaus of employment and lower levels of unemployment."

Dr. Wolfbein joined the Labor Department's Bureau of Labor Statistics as an economist in the 1940's. He was chief of the bureau's manpower and employment statistics division from 1950 to 1959 and a deputy assistant secretary of labor from 1959 to 1967.

Underlying his optimism is the growth in the number of Americans holding jobs.

"During the third quarter of this century, 30 million nonfarm jobs were added in America—the overwhelming proportion of them in the private sector despite the growth in public employment," he says. "During the recession, while the level of unemployment was relatively high, employment also remained high."

The level of employment, which rose month after month following a dip, was "very, very important" to the recovery, he says, and the growing employment now will be equally important to future prosperity. Also important to the future, he says, are other current factors: an increasing gross national product, a slackening of inflation, and a reduction of unemployment.

Some Ford administration economists have predicted that unemployment, which peaked at 8.9 percent during the recession and was last reported at 7.5 percent, will stay in the seven to eight percent range for several years. More recently, however, Treasury Secretary William E. Simon said there is a "fair" chance that

AN INTERVIEW WITH DR. SEYMOUR L. WOLFBEIN



Source: Bureau of Labor Statistics

unemployment will drop below seven percent by the end of this year.

Dr. Wolfbein says there is an "excellent" chance that the joblessness figure will be below seven percent by year-end.

By the end of 1978, if not before, the figure should be down to six percent, he says, and in following years unemployment should be back to the range that prevailed from the end of World War II to the end of 1974. Basically, that range was four to six percent, although there were nine years in which average unemployment was below four percent and two years in which it rose above six percent.

The unemployment picture is frequently misunderstood, Dr. Wolfbein says. In the following interview with NATION'S BUSINESS, he tells why.

Dr. Wolfbein, election-year proposals are piling up in Congress for dealing with what some people view as an unemployment crisis. Are things really that bad?

Unemployment has certainly been too high, but I think that there is widespread public misunderstanding about the severity of unemployment, as well as how it is measured by the government and what the figures mean.

For the individual who wants to work and can't get on a payroll, being jobless can bring a good deal of personal hardship. But the overall unemployment rate, which gets most of the publicity every month when the latest figure is released, can hide as much as it reveals.

What do you mean by that?

Simply that focusing so much attention on a single monthly figure overlooks the fact that not everyone counted as unemployed represents the same kind of problem in terms of social or economic need.

The American labor force is not a homogenized group of people. It's a broad collection of whites, blacks, and other ethnic classifications; men and women; young and old; highly professional and the unskilled; city dwellers and farm people.

Does the government collect reports on the job status of all these groups?

Yes. The Bureau of Labor Statistics publishes a meticulous monthly scorecard. Unfortunately, the details rarely get publicized.

The point I'd make is that any intelligent assessment of where we stand in terms of jobs has to be based on a reading of the fine print that accompanies each month's BLS report.

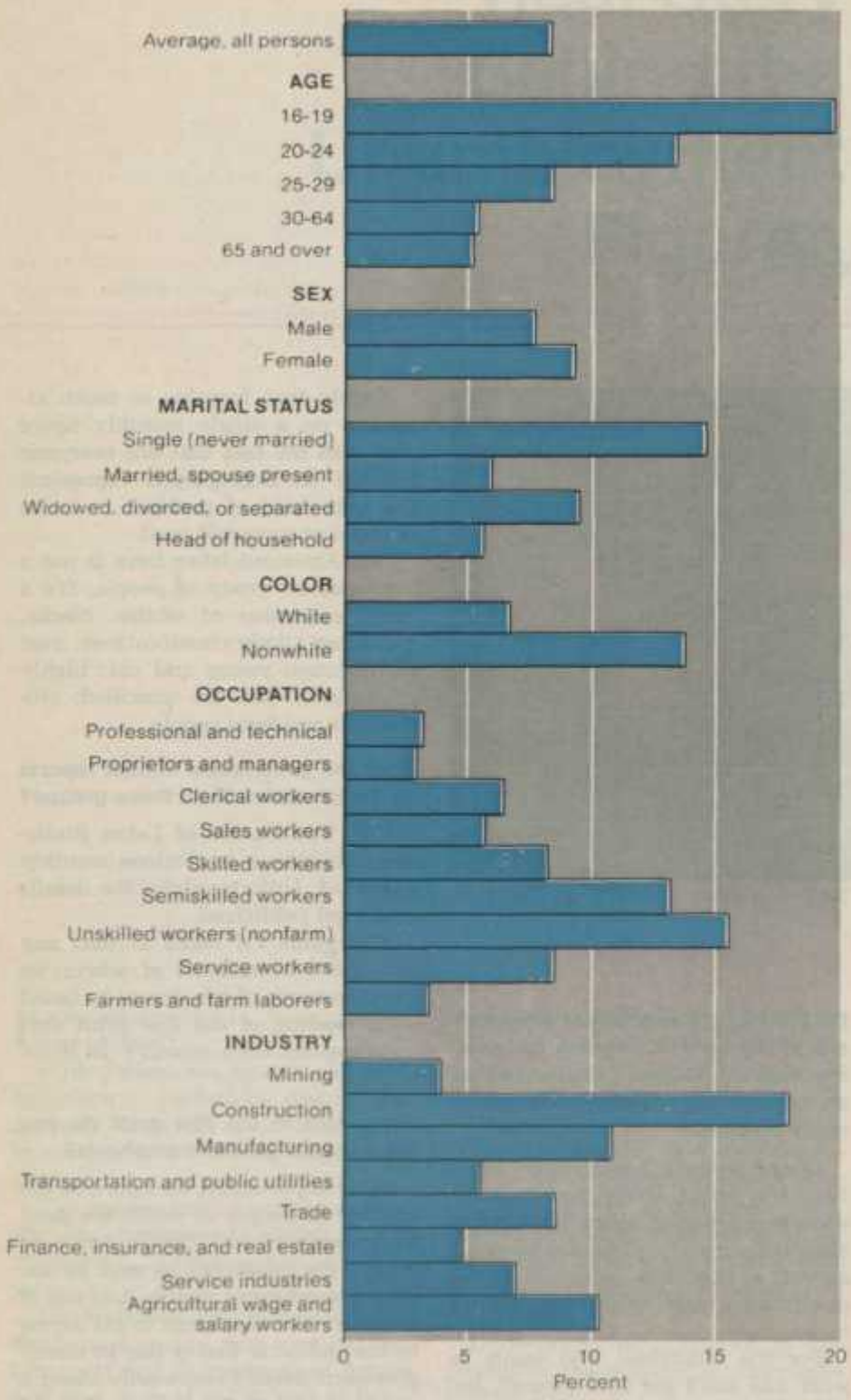
What data in the fine print do you think should get more emphasis?

Most importantly, the figure on the number of people at work. We need to remember that the government counts the employed as well as the unemployed every month. And one of the most difficult things to get across to the public is that a rise in unemployment doesn't necessarily mean a drop in employment.

Both can go up or down at the same time?

Yes—and in fact that has happened every summer for the third of a century during which we have been keeping records. Students come out

HOW UNEMPLOYMENT COMPARED BY GROUP IN 1975



Source: Bureau of Labor Statistics

Too much weight can be given the overall joblessness rate, says Dr. Wolfbein, noting that unemployment's impact varies widely by population group. A category to be watched closely, he says, is head of household.

of school and look for work. Some find jobs; others don't. So both employment and unemployment go up. Comes the fall, the students go back to their classes, and both employment and unemployment drop.

This phenomenon isn't confined to students. During the first ten months of 1975, for instance, the number of people out of work rose by 765,000 and the unemployment rate went up from 7.9 percent of the labor force to 8.6 percent.

In those same months, employment rose by 485,000.

What happened was that the size of the nation's labor force—people available for work—went up by 1.3 million in this period. Some of those people couldn't find jobs, and thus unemployment increased. Hundreds of thousands of other people, however, did find jobs, and employment went up, too.

And, of course, this happened during a period officially classified as a recession.

So it's important to bear in mind that, while rising unemployment means that more people are looking for work, it doesn't signal fewer jobs. Quite the contrary may be the case. This isn't an easy concept for people to understand.

What other frequently ignored points need to be kept in mind in reading the monthly scorecard on unemployment?

A basic figure is the rate of joblessness among people classified as heads of households. These are the breadwinners, and some businessmen say this statistic is the one they watch the most closely for clues to real hardship when jobs are tight and there are widespread layoffs. The unemployment rate for these people has been moving down in recent months, and that is a good economic signal.

We hear a lot about unemployment among teenagers. Is that a major issue now?

Yes, and often a misunderstood one, in terms of the total rate of joblessness. It's essential to recognize that teenagers account for a high percentage of all those listed as unemployed in the monthly tally. For example, in January of 1976, when the



Laser Beam Digital Watch

Never press another button, day or night, with America's first digital watch that glows in the dark.

Announcing Sensor's new Laser 220—the first really new innovation in digital watch technology.



Would you do this with your solid-state watch? Of course not. Most solid-state watches require care and pampering but not the Sensor. You can dunk it, drop it and abuse it without fear during its unprecedented five-year parts and labor warranty.

It's ingenious, it's simple and it makes every other digital watch obsolete. Scientists have perfected a digital watch with a self-contained automatic light source—a major scientific breakthrough.

SELF-CONTAINED LIGHT SOURCE

The Laser 220 uses laser beams and advanced display technology in its manufacture. A glass ampoule charged with tritium and phosphor is hermetically sealed by a laser beam. The ampoule is then placed behind the new Sensor CDR (crystal diffusion reflection) display.

The high-contrast CDR display shows the time constantly—in sunlight or normal room light. But, when the room lights dim, the self-contained tritium light source automatically compensates for the absence of light, glows brightly, and illuminates the display.

No matter when you wear your watch—day or night—just a glance will give you the correct time. There's no button to press, no special viewing angle required, and most important, you don't need two hands to read the time.



Replace the battery yourself by just opening the battery compartment with a penny. Free batteries are provided whenever you need them during the five-year warranty.

A WORRY-FREE WATCH

Solid-state watches pose their own problems. They're fragile, they must be pampered, and they require frequent service. Not the Laser 220. Here are just five common solid-state watch problems you can forget about with this advanced space-age timepiece:

1. Forget about batteries The Laser 220 is powered by a single EverReady battery that will actually last years without replacement—even if you keep the 220 in complete darkness. In fact, JS&A will supply you with the few batteries you need, free of charge, during the next five years. To change the battery, you simply unscrew the battery compartment at the back with a penny and replace the battery yourself.

2. Forget about water Take a shower or go swimming. The Laser 220 is so water-resistant that it withstands depths of up to 100 feet.

3. Forget about shocks A three-foot drop onto a solid hardwood floor or a sudden jar. Sensor's solid case construction, dual-strata crystal, and cushioned quartz timing circuit make it one of the most rugged solid-state quartz watches ever produced.

4. Forget about service The Laser 220 has an unprecedented five-year parts and labor warranty. Each watch goes through weeks of aging, testing and quality control before assembly and final inspection. Service should never be required. Even the laser-sealed light source should last more than 25 years with normal use. But if it should require service anytime during the five year warranty period, we will pick up your Sensor, at your door, and send you a loaner watch while yours is repaired—all at our expense.

5. Forget about changing technology The Sensor Laser 220 is so far ahead of every other watch in durability and technology that the watch you buy today, will still be years ahead of all others.

THE ULTIMATE ACHIEVEMENT

Other manufacturers have devised unique ways to produce a watch you can read at a glance. The new $300 LED Pulsar requires a snap of the wrist to turn on the display, but the Pulsar cannot be read in sunlight. The new $400 Longine's Gemini combines both an LED and liquid crystal display. (Press a button at night for the LED display, and view it easily in sunlight with the liquid crystal display.) But you must still press a button to read the time. All these applications of existing technology still fail to produce the ultimate digital watch: one you can read under all light conditions without using two hands. Until the introduction of the Sensor.

PLENTY OF ADVANCED FUNCTIONS

Sensor's five time functions give you everything you really need in a solid-state watch. Your watch displays the hours and minutes constantly, with no button to press. But depress the function button and the month and the date appear. Depress the button again and the seconds appear. To quickly set the time, insert a ball-point pen into the recessed time-control switch on the side. It's just that easy.

Sensor's accuracy is unparalleled. All solid-state digitals use a quartz crystal. So does the Sensor. But crystals change frequency from aging and shock. And to reset them, the watch case must be opened and an airtight seal broken which may affect the performance. In the Sensor, the crystal is first aged before it is installed, and secondly, it is actually cushioned in the case to absorb tremendous shock. The quartz crystal can also be adjusted through the battery compartment without opening the case. In short, your watch should be accurate to within 5 seconds per month and maintain that accuracy for years without adjustment and without ever opening the watch case.



The new exclusive laser-sealed tritium and phosphor light source is a thin solid-state tube that automatically illuminates the display when the lights dim.

STANDING BEHIND A PRODUCT

JS&A is America's largest single source of digital watches and other space-age products. We have selected the Sensor Laser 220 as the most advanced American-made, solid-state timepiece ever produced. And we put our company and its full resources behind that selection. JS&A will warranty the Sensor (even the batteries) for five full years. We'll even send you a loaner watch to use while your watch is being repaired should it ever require repair. And Sensor's advanced technology guarantees that your digital watch will be years ahead of any other watch at any price.

Wear the Laser 220 for one full month. If you are not convinced that it is the most rugged, precise, dependable and the finest quality solid-state digital watch **in the world**, return it for a prompt and courteous refund. We're just that proud of it.

To order your Sensor, credit card buyers may simply call our toll-free number below or mail us a check in the amount indicated below plus $2.50 for postage, insurance and handling. (Illinois residents add 5% sales tax.) We urge you, however, to act promptly and reserve your Laser 220 today.

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(Add $10 for matching metal band)
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(Add $10 for matching metal band)

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"A rise in unemployment does not necessarily mean a drop in employment."

overall rate of unemployment was 7.8 percent, the rate for all teenagers was 19.9 percent. For white teenagers, it was 18.3 percent and for black teenagers, 34.6 percent.

People with long memories know that, since the early 1960's, the proportion of the jobless in the age bracket between 16 and 19 never has been much below 20 percent.

Just as important to know is that half of all the teenage unemployed are also in school and that their spells of unemployment, while frequent, are relatively short.

Suppose a young person is a full-time college student who has tried without luck to find temporary part-time work. Would this student be considered unemployed?

Yes, even though he planned to be a full-time student for the next several years. Also, teenagers who have never before held a job but are actively looking for one are counted as unemployed if they can't find one.

Countries such as Great Britain do not include young people without job experience, or those who are going to school, in their official counts of the registered unemployed. We do.

Just who is classified as unemployed in the U. S. when the monthly count is taken?

The BLS counts as unemployed anyone without a job who is available for and has been actively looking for work in the previous four weeks, but who hasn't been hired.

How are the statistics collected?

The Census Bureau conducts the monthly survey for the BLS. It selects a scientifically designed sample of one out of every 1,500 households in the country—or about 58,000 in all, located in every state. The census enumerators, most of whom are women and very well trained, go to these households and ask questions. The sample gets whittled down somewhat, because people may have moved, houses and apartments may be vacant, or there's no one home at the time the enumerator calls.

The first interview always is done in person; subsequent ones are often done by phone. Twenty-five percent of the sample is changed each month.

Are people who work only part-time—such as some housewives—counted as unemployed if they can't find part-time jobs?



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Yes, so long as they continue to look for part-time work.

We hear a lot about "discouraged workers"—those who haven't been able to find a job and have given up looking. Are they counted among the unemployed?

No, they are not included in the government's total unemployment figure, though the estimated number of such workers does show up every quarter in the BLS statistical breakdown. By the middle of 1975, the total was about 1.2 million, almost double what it was before the recession, so it is a figure worth watching. It has since declined significantly, in line with the general recovery.

There's also a great deal of comment about the plight of teenage blacks who can't find jobs—

Yes, black teenage unemployment is a critically severe problem, and it could use some responsive action. But here, again, there's much misunderstanding about the figures.

Talking with people in lecture audiences around the country in recent months, I asked if they had any idea of the unemployment rate among teenage blacks. It turned out that most of the audiences had pretty good estimates—close to the Labor Department's published figure of 37 percent at the depth of the recession.

But then I turned the question around and asked if anyone knew what the number of jobless black teenagers was for the country as a whole. The lowest figure I got in response was 2.5 million. The official government count was 347,000 at that time.

Now that was almost certainly an understated total, because such groups tend to be underenumerated by the Census Bureau. However, even if we boost the figure by 20 percent—which would be an exaggeration—the total still would not be much above 400,000. That is relatively small in terms of a total labor force which is well above 90 million.

As I noted, this is not a problem we can ignore. Jobless teenagers—black, white, or any color—are going to be tomorrow's decision-makers in this country, and it is economically and psychologically damaging for them to be out of work when they'd like to have jobs. But it makes a big difference to know that the numbers involved are not in the millions, that they are concentrated geographically in urban areas, and that programs that can focus on this relatively small but severely disadvantaged group may be the answer—rather than more expensive overall schemes.



Source: Bureau of Labor Statistics

Unemployment and total employment often rise at the same time. In the first ten months of 1975, while the unemployment rate went from 7.9 to 8.6 percent, the labor force increased and total employment rose by 485,000. Employment passed its July, 1974, pre-recession peak in February, 1976. In March, it was reported to be 86,692,000.

Dr. Wolfbein, is the fact that 1976 is an election year having considerable influence on proposals for dealing with joblessness?

Yes. While unemployment is receding from its recession peak of nearly nine percent of the labor force, it still is considered to be unacceptably high. That has brought much of the clamor at the Capitol these past few months for some sort of action to spur employment—through such measures as public works programs or an increase in public-service jobs.

Congress lately has been talking also about legislation that would commit the U. S. to a "full employment" goal. Isn't that already official policy, written into legislation nearly three decades ago?

Not exactly in those terms. The Employment Act of 1946 declared that it is the "continuing policy and responsibility of the federal government . . . to promote maximum employment, production, and purchasing power."

However, the law set no benchmark for what maximum employment might be, nor did it suggest how high unemployment might go

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before it becomes a threat to economic stability.

Sen. Hubert Humphrey and Rep. Augustus Hawkins have introduced a bill that calls for getting the unemployment rate down to less than three percent of the labor force. Do you view that as a realistic goal? In fact, should we have such a goal?

There is nothing wrong with setting goals, examining why we do or don't reach them, and then trying to get action to improve on how we perform.

What worries me is measuring our economy's performance with one statistic and using it to trigger all sorts of public policy.

Let's say the unemployment rate goes down to four percent. If the unemployed at that time are mostly people between jobs, with short spells of joblessness, we have one kind of situation. If, however, the unemployed at that time include many adult workers out of work for long spells, perhaps concentrated in certain industries or parts of the country, we have a different situation.

As a matter of fact, we have had these different kinds of problems in the past and they needed different kinds of policies and programs to deal with them. No one overall statistic has the magical properties to divine all of this for us.

Is the unemployment rate a vital clue as to where the economy is heading?

It is, but there is also a wide range of indicators of economic activity, including factory output, housing starts, total employment, personal incomes, and so on.

I hope I've made clear my feeling that unemployment is only one of a myriad of such indicators. Government policy on how to respond to ups and downs of the business cycle ought to be based on more than just the single signal of the overall unemployment rate.

Do we need more and better data on unemployment?

Yes. Much of our policy and programs could get better direction if we had additional and better signals. One of those missing in this country, unlike the situation in most other countries of the western world, is a knowledge of how many and what kinds of job vacancies do exist. Data on the number of jobs that are open, where they are, and what they are, would be enormously valuable in helping us judge the nature and consequences of unemployment as well as be an important tool in job placement.

> "Incentives which would increase business hiring of the unemployed ought to receive serious consideration."

A start was made on getting this information a few years ago, but was dropped by the Labor Department—

Yes. That project ought to be reestablished as quickly as possible.

Former Labor Secretary John Dunlop, just before leaving Washington, urged President Ford to set up an independent commission to study ways to improve the compilation of unemployment statistics. You seem to suggest that such a study would be valuable—

Yes, I think we ought to do this in the relatively near future. The last time we had such a study—in 1962—it resulted in many excellent recommendations which were put into effect.

They brought significant improvements in our employment and unemployment statistics.

One important change had to do with college students looking for work prior to graduation. Under the old plan, a person could be counted



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as unemployed if, say, he or she began looking for work in January even though that person wouldn't graduate until June. Now, the person will not be included until he or she actually becomes available and has been unsuccessful in seeking a job.

The AFL-CIO has announced that it intends to publish its own monthly unemployment percentage, to include "discouraged workers" and those who are working part-time. How do you feel about the validity of such an approach?

The BLS makes enough detailed information available to enable anyone to add or subtract from the official rate and come up with different combinations and permutations of unemployment figures. The trouble is that, while one organization may want to add such groups as "discouraged workers," others may insist on subtracting full-time students, people looking for only part-time work, or pensioners seeking a little work to get out of the house for a while.

Personally and professionally, I think it is better to leave the overall rate alone, making changes if some independent commission does indeed recommend any.

Mr. Ford has proposed job-creating tax incentives for business in areas of the country where unemployment is highest. Is that a good idea, in your opinion? Would you favor other government remedies to aid particular categories of jobless people?

Any incentives which would increase business hiring of the unemployed ought to receive serious consideration.

I am particularly interested in providing incentives, by tax or any other acceptable means, which would spur the hiring of young people.

Business is already doing a good deal by providing part-time job opportunities, joining in cooperative work programs for students, etc. Expanding on these efforts may enable us to make a dent in a group which, as we already pointed out, accounts for more than one out of every five people we enumerate as unemployed.

How do you assess the employment/unemployment situation for the rest of this year?

The consensus now certainly is that economic activity is on the rise.

The leading economic indicators are pointing that way, the rate of inflation is down significantly, and the stock market seems to be reading it that way, too.

However things go, all of us ought to be reading the figures with more care. And, most important, all of us ought to make sure that government policy is based on more than a response to month-to-month fluctuations in a single overall unemployment rate. END

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By VERNON LOUVIERE
Senior Editor

Clearing Up Muddy Thinking About Business

Harry E. Figgie, Jr., is not one to sit back and wait for some magic solution to what he perceives as a grave threat to America's private enterprise system. He is doing something about it.

Mr. Figgie, chairman and chief executive officer of A-T-O Inc., a manufacturing firm headquartered in Willoughby, Ohio, says the capitalist system "is under great attack. It's under sustained attack. And possibly under fatal attack."

So he has:

- Encouraged a number of Ohio school districts to introduce a mini-society concept of teaching economics to elementary and high school students.
- Personally underwritten two thirds of the cost of special economics courses for 125 high school teachers at Lake Erie College.
- Launched a regular campaign of educating more than 16,000 employees in 30 A-T-O divisions and subsidiaries on the benefits of the capitalist system.

Another program to teach the benefits of private enterprise was launched in 1974 by Joseph T. Ryerson & Son, Inc., of Chicago, a metals processing firm with 26 service centers around the country. It hires local teachers, mostly from high schools, for special summertime employment at each of its installations.

"The program is not a brainwashing effort," says Ryerson President Raymond N. Carlen. "The teachers simply see and experience business as it really is on a day-to-day basis. They perform work for pay—and blend into the operation like regular Ryerson employees."

If business helps teachers in this way to learn the truth about itself, Mr. Carlen says, it "can start thousands of academic ripples that will grow into waves of understanding and insight."

There is no lecturing and no preaching in the Ryerson program.



Ohio industrialist Harry E. Figgie, Jr., believes the American economic system can be saved by reaching minds. He is vigorously pushing programs to teach economics to youngsters as well as to their teachers, convinced this will dispel many myths about business.

Teachers simply are provided with an environment in which they can learn the facts of business through personal experience. They attend staff meetings, take part in management decisions, work in plant operations, and go out on sales calls.

Harry Figgie knows what it's like to cherish the American dream and see it materialize. He explains:

"I was a guy without money or family contacts, and I got bankers and investors to back me. I took over a sick enterprise with sales of about $22 million and built it up in 11 years to a going company with sales of $500 million."

A-T-O manufactures products that include fire extinguishers, fire trucks, bottling machinery, and sporting goods.

Mr. Figgie is convinced that more U. S. businesses would get behind the teaching of free enterprise in the schools if only they had a plan to work from. Both his company and Ryerson & Son are willing to share their experiences.

"If I could get 50 reasonably sized companies to help in putting up $10,000 to $20,000 each, we could get every teacher in Ohio three credit hours in economics in five years," Mr. Figgie says.

Harry Figgie has already seen some positive results from his work among teachers. Recently, a teacher's strike loomed in a school district near his Willoughby headquarters. The issue was pay, even though voters had just turned down a pay increase because of lack of funds.

Mr. Figgie says the superintendent of schools told him: "The strike was headed off by some of the teachers you trained. They were able to convince the others that, if there wasn't money to pay them, it was futile to strike."

The need for educating Americans on the virtues of their economic system has never been greater, Mr. Figgie says.

"I am convinced that we don't have much more than ten more years until the free enterprise system in this country will die," he asserts. "But if we wake up in time, we can save it." •

continued on next page

Turning Organic Waste into Profit and Power

In the process of making chicken coops, the A & P Coop Co., Inc., of Jonesboro, Ark., had a problem disposing of the 80,000 pounds of sawdust and wood chips accumulating daily.

Hauling the waste away was expensive, and burning it on the spot created pollution.

After a lot of tinkering and research, Frank Angelo, Jr., vice president and son of the owner, came up with a contraption that he says has solved the problem. Not only does it dispose of the waste without polluting, he says, but it turns waste into charcoal for industry or potash for fertilizer.

More important, he says, there is a potential for converting the disposal process's heat into steam and powering an electricity generator with the steam. Technology exists, says Mr. Angelo, for adding to the device an energy recovery system that will produce enough electricity to power 19 medium-sized factories or about 1,000 homes.

A & P Coop has spent about $200,000 on the machine and hired an industrial engineer, Elbert J. Stanley, to work out the bugs. Mr. Angelo and Mr. Stanley have national and international patents pending on the recycling device.

The Angelo-Stanley converter can be built in a variety of sizes to accommodate almost any kind of waste disposal problem, Mr. Angelo says. It is simple to produce. The machine now in use at A & P Coop was made from an old railway tank car, cast-off boiler parts, used grain auger conveyors, and old gasoline storage tanks. The machine requires only one operator.

"What we need now is enough money to complete our research," says Mr. Angelo. "That will help us improve the afterburner to make it more efficient and come up with a design for a proper energy recovery system."

Rep. Bill Alexander (D.-Ark.) was having breakfast with President Ford last summer and mentioned the Angelo-Stanley invention. Mr. Ford arranged a meeting of the two inventors with Energy Research and Development Administration officials. Mr. Angelo and Mr. Stanley have since applied for an ERDA grant to perfect the machine.

Mr. Angelo says more than 800 million tons of organic wastes are produced in the U. S. annually, not only in working with wood but also at cotton gins, rice mills, peanut processing plants, other factories, and livestock feedlots, as well as in public refuse and sewage systems.

This waste could be converted into as much energy as more than a billion barrels of oil or almost nine trillion cubic feet of natural gas, Mr. Angelo says. Such energy conversion, he adds, would be enough to offset our total purchases of oil from abroad.

A simple device which mixes outside air with gases produced by the burning waste in the converter eliminates pollution, Mr. Angelo says. The turning of a single valve determines whether the converter will produce potash or charcoal.

About four years ago, residents around A & P Coop plants began complaining about smoke and pollution. The company was forced to shut down its disposal burners and start paying to haul the refuse away.

Frank Angelo, Jr., who is 27 and majored in business administration at Arkansas State University, was then general manager. He began researching cellulosic waste, pollution, and industrial recycling. Out of this came the converter.

"I am convinced that we have the answer, not only to the cellulosic waste disposal problem, but to a large share of America's energy needs," Mr. Angelo says. "And we'll make it with or without the help of the government."

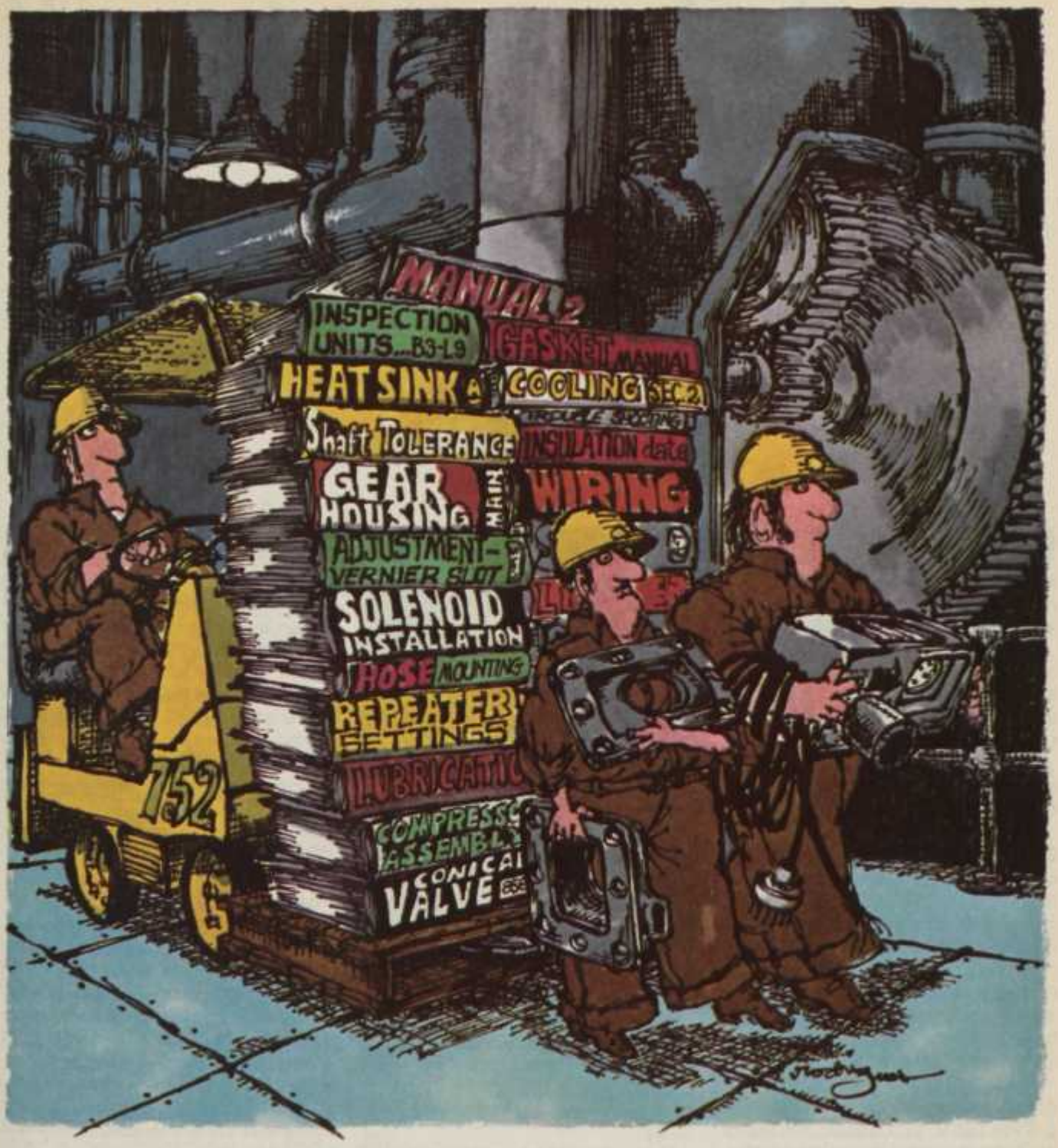
The Canadian government, with an eye to the tremendous amounts of wood waste generated by Canada's forest industries, is seeking a licensing agreement with A & P Coop for Canadian manufacturers.

After inspecting the invention, Arkansas State Conservation Administrator Robert L. Penton wrote:

"The development of a piece of equipment which utilizes the waste for charcoal and other by-products in a clean environment and has the capabilities of being energy-producing to boot reminds me that, too many times, we can't see the forest for the trees." •



Inventor Frank Angelo, Jr., and the waste converter he feels can ease energy needs.



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The Future Impact of World Food Needs on U. S. Consumers

Throughout much of the world, demand for food in the next decade will increase faster than supply. This special report discusses what this will mean to U. S. prices and buying patterns

BY FRANCIS E. FERGUSON

International demographic, social, and economic forces have dramatically altered world food demand, making American crops as valuable as Arab oil.

Agribusiness already ranks as the nation's largest industry, if supply and processing are included. One sixth of our gross national product comes from agribusiness.

What effect will demand for food outside the U. S. have on American farm output in the future?

The U. S. Agriculture Department's Economic Research Service has forecast world grain supply and demand for the year 1985. While the forecast deals only with grain, it is in effect representative of the general picture of world food supply and demand. Grain accounts for more than half the caloric inputs in the human diet through direct consumption and is important as feed for livestock.

According to the forecast, the noncommunist developed countries—including the U. S., Canada, nations of Western Europe, Japan, Australia, and South Africa—will increase their production roughly 39 percent and their consumption 32 percent over 1970 levels in 1985.

Great export opportunity

In communist countries—including Russia, other nations of Eastern Europe, and China—production will also increase, according to the forecast. But the rate of increase will be smaller—32 percent. Meanwhile, according to the forecast, consumption will increase in the communist nations by 34 percent.



Mr. Ferguson, president of Northwestern Mutual Life Insurance Co., has a background in agricultural economics.

The developed noncommunist countries will have 65 million metric tons of grain available for export—a sharp contrast with the communist countries' need to import nearly 14 million metric tons.

Even though the less-developed countries of Central and South America, Africa, and Asia are forecast to increase their production nearly 54 percent over their 1970 production, their consumption needs will increase by 60 percent—meaning they will require an additional 48 million metric tons of grain to supplement their 1985 production.

The forecast is clear evidence that the U. S. will remain far and away the dominant exporter of grain. In 1985, U. S. exports will total some 74 million metric tons—more than three times the total of the next largest exporter, Canada. In fact, the U. S. exports will be sufficient to erase the entire grain deficit of both the communist and less-developed countries.

These projections suggest that, over the long run, there may be a possibility of building grain reserves.

Food supply under pressure

However, a second Economic Research Service forecast, which assumes that the U. S. S. R. and Eastern Europe will accelerate their use of grain as livestock feed and that the European Economic Community will abandon price supports and attempts to become self-sufficient in grain production, shows a significantly greater world demand for grain. Under this forecast, there is little doubt that the world food supply will be under increasing pressure over the next decade.

Farmers have been able to meet the challenge of the exploding demand for food until recently. However, rising world affluence has joined population growth as a source of growth in demand. Pressure on the world food supply from the population explosion is not expected to subside over the next decade, and, what's more, continued Americanization of world diets will add significantly to the pressure.

Two implications of these forecasts are clear if the world is to avoid

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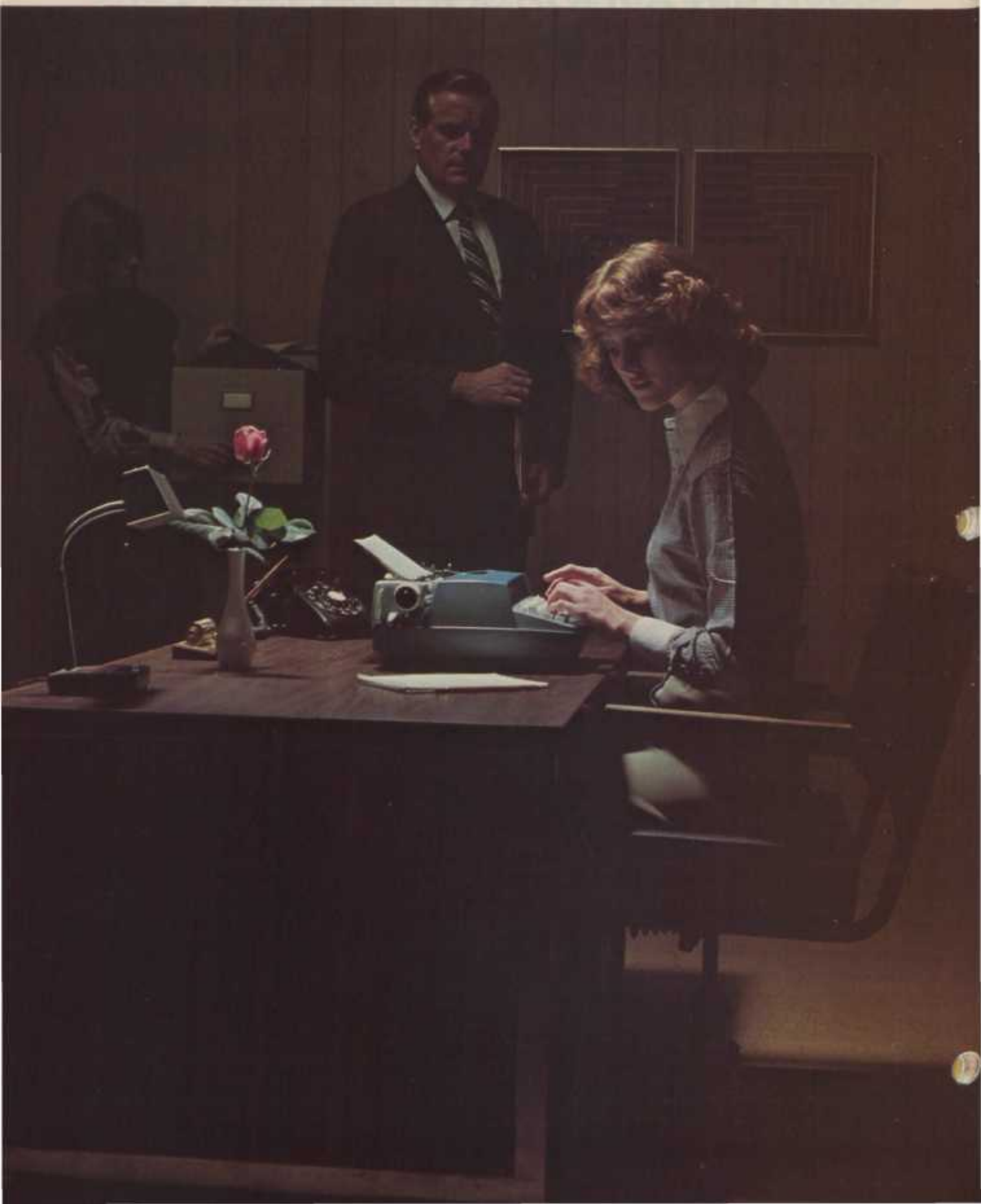
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famine within the next decade. First, the U. S. must be willing to increase its food production by more than 50 percent. Second, the U. S. must also be willing to export a significantly higher proportion of its production. These implications require that U. S. farmers be assured adequate prices to meet the rising costs of labor, equipment, and fertilizer, and to provide adequate farm income.

Lagging farm income

In spite of the dramatic rise in prices the past two years, per capita farm income has remained ten percent below average per capita nonfarm income. One reason has been the rising cost of fertilizer. The comparatively low food prices we have enjoyed for so long have resulted above all from expanded use of fertilizer, although more efficient machinery, higher-yielding and disease-free crops, and other improvements in farm technology have also played roles.

At a time when the need for fertilizer is greatest, its price is skyrocketing. If food prices are artificially held below levels which will offset increasing fertilizer prices and provide a profit as well, farmers will not be willing to produce sufficient food to meet world demand. If they cut back use of fertilizer in an attempt to lower costs so they can make a profit, crop yields will fall, aggravating the pressure on food prices.

The U. S. is currently caught between a rock and a hard spot. If we opt to keep all U. S. grain for domestic needs to hold domestic prices below world prices, millions could die from famine in the next decade.

This is the dilemma of the American consumer: Long accustomed to comparatively inexpensive food, he is understandably angry about the prospect of rising food prices; but he cannot turn his back on the millions of people on the verge of starvation.

Price spurt ahead?

If, on the other hand, the U. S. competes on a free market basis, domestic food prices are almost certain to rise even faster than in recent years. In fact, prices could rise to the point where food takes 25 to 30 percent of American consumers' disposable income, as compared to 16 to 18 percent today.

This development would have important implications for other nonessential consumer goods. Items which can be considered symbols or measures of the good life would surely be cut from the family budget in favor of food and other essentials such as housing, heat, and light.

We should remember that food prices per se are not a measure of the total cost of food to the consumer. To the retail price must be added the cost of payments to farmers for keeping their land out of production. If these subsidies are counted as additions to domestic food prices, the resulting figures may exceed what world prices would be under a free market system.

We must also recognize, however, the benefits to the economy—and hence, to the consumer—from our agricultural exports. The present favorable trade balance brought about by these exports helps America to offset the cost of imported petroleum and to maintain a strong dollar relative to other currencies.

Benefit to industries

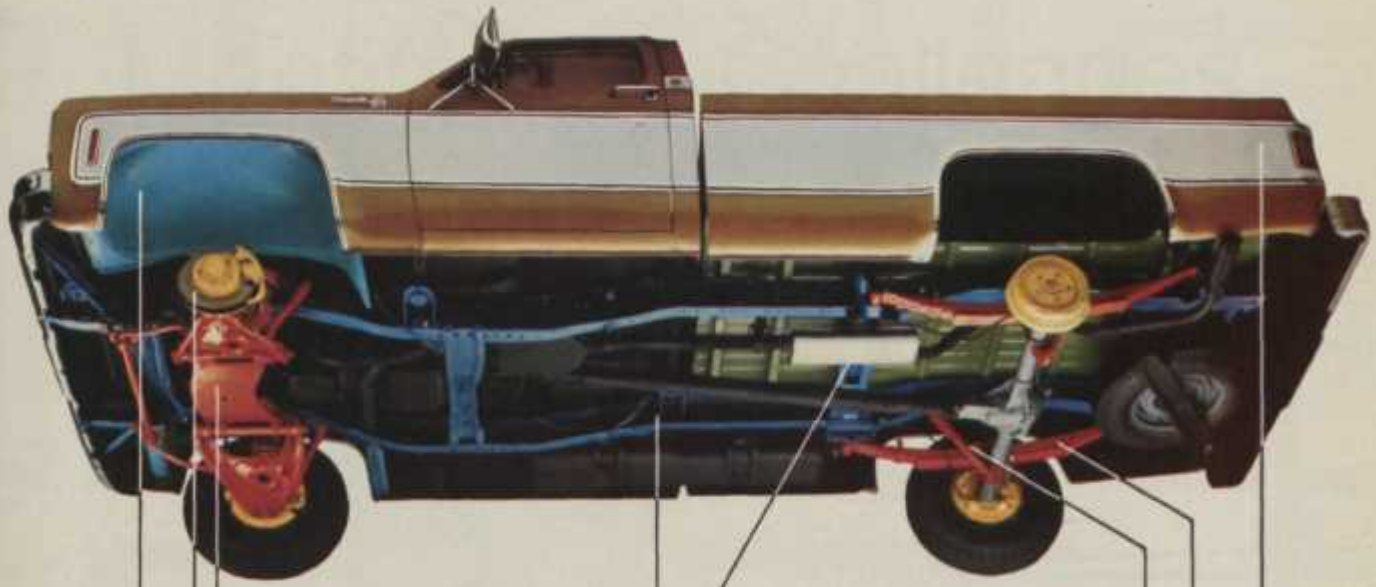
Also, increased agricultural exports will benefit other industries and their employees. Industries such as farm equipment, farm chemicals, synthetic fertilizers and insecticides, farm building construction, and petroleum will undoubtedly experience greater demand for their products.

It is ironic that in order to provide adequate world food supplies at the lowest possible prices in the long run, the American consumer will have to face higher food prices in the short run.

For until the laws of supply and demand are repealed, the only way to assure the needed world food supply is to allow the farmer an adequate price to meet his costs and provide a reasonable income.

The alternative—short of massive famine—is to pay the same or a higher price, but in the form of an artificially contrived price-plus-subsidy. We are closing fast on the moment when we must choose between rationing of plenty through free market prices and rationing of scarcity through government fiat.

A road's-eye view of Chevy truck toughness.



Massive Girder Beam independent front suspension uses steel control arms, friction-free coil springs. Wheels step over rough spots individually, helping smooth the ride.

Computer-matched brake systems have fade-resistant front disc brakes, fin-cooled rear drum brakes and power assist (most models) tailored to the truck's GVW rating.

Full front wheelhousings help protect fenders and engine compartment from road spray and rocks. All-steel, one-piece inner and outer fender panels form a double wall for structural rigidity.

Ladder-type steel frame uses deep-section channel side rails, riveted crossmembers for strength, rigidity and durability.

Aluminized muffler uses heavy-gauge metal for shell and baffles. Aluminum coating inside and out adds corrosion protection.

Counter-angled rear shock absorbers are slanted, one forward and one aft, to help keep rear wheels firmly in contact with the pavement during acceleration and deceleration with heavy loads.

Multi-leaf rear springs provide a good ride with light loads, progressively firmer support as cargo weight increases.

Double-wall construction adds strength and durability in many important areas. Fleetside body side panels, doors, upper cab panels, windshield pillars, roof, cowl and hood.



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Meeting the Challenges to Private Enterprise

Herbert S. Richey, president of The Valley Camp Coal Co. and new chairman of the National Chamber, hopes to get businessmen to work harder at explaining the realities of business to employees, shareholders, and the public. He also hopes for a more unified business community

WHEN HERBERT S. RICHEY, then a young engineer, came out of the Navy in 1946 to start a business career with The Valley Camp Coal Co., he expected to go down into a deep mine the very first day.

But he was greeted by the start of the longest industry-wide coal miner strike in many years.

So instead of going underground, he wound up in an office with a lot of financial material. He was told, he recalls, to study the material "and find out about the business of coal."

Mr. Richey, now 53, has been doing that with success ever since. He became president of the Cleveland-based company at the age of 37 and has been chief executive officer as well for a dozen years.

His early experience at Valley Camp was to prove highly valuable in times to come, he says.

Now, Mr. Richey is taking on an additional job that is of extreme importance to all U. S. businessmen. He has been elected chairman of the board of the Chamber of Commerce of the United States.

Here, too, he has had experience that should prove highly valuable in times to come. Mr. Richey moves up from the post of vice chairman, and he has long been active in other capacities for the National Chamber. He has been a member of numerous National Chamber committees and has served as chairman of the Natural Resources Committee.

As the National Chamber's chief elected officer, Mr. Richey will lead the world's largest business organization for a year.

During his term of office, one of his objectives will be to bring together "the various voices of business" on matters of vital concern to all.

"I think the time is past when the business community can afford the luxury of dissipating its resources in many different directions and in competing organizations," Mr. Richey says.

Born in Cleveland, Mr. Richey was educated at Augusta Military Academy, Case Institute, and the University of Michigan, from which he graduated with a marine engineering degree. He and his wife, Martha, live in rolling hunt country near the little Ohio town of Bath. They have a son and a daughter.

In this interview with NATION'S BUSINESS, Mr. Richey, a former chairman of the National Coal Association, talks of our energy problem, his career, and challenges to business.

There has been a lot of talk about America's energy problem. How much do you think the public is concerned about it?



The new National Chamber chairman and his wife, Martha, can step a few feet from their front door and stroll through scenic woodlands.



Chances are the conversation is about horses when the Richeys chat. Both are accomplished riders and both love the hunt.

Not much. While people might have recognized there was a real problem during the oil embargo a couple of years ago, they don't today. I've given a number of talks that touched on this subject, and I have noticed nobody really cares.

There is a serious energy shortage building up. But people won't realize this until it hits them and there are brownouts and lines at gasoline stations. Right now, people don't want to, nor will they, hear facts or believe them.

Why?

I think it is partly cynicism about believing what they hear. Also, a lot of the information that has been put out is confusing—political rhetoric, for example.

In addition, people within the energy industry are having to talk about unpleasant things, such as high prices that may get higher due to ever-increasing production costs. Those increases, by the way, largely result from unwarranted government regulation and federally inspired social costs. The public just doesn't want to hear this. In fact, the public is generally losing interest in the entire energy situation.

Right now, there is plenty of gasoline. Even the price of gasoline has gone down. To the public, energy is gasoline. The more you talk about energy, the more people are turned off on the subject.

Coal is being touted as the immediate answer to our energy problem. Is it?

Well, I certainly think it can be and should be. We have a lot of coal, at least four trillion tons. You know, because of the ecology fuss, one of our industry's clichés is: illegal to mine, illegal to burn, and you can't transport it.

But we are mining coal, and we are going to mine more coal. I don't think there is any question about that. The transportation system is gearing up to handle the additional coal. We do have problems with the environmental impact studies, and we have problems with the leasing of federal lands. In time, they will be worked out.

In our own company's case, while



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the company isn't all that big, we are able to put in mines, develop them, and finance them with no great problems to date.

Your company's mining is basically in West Virginia. A lot of America's coal is in the West. Are you planning operations there?

We already are in the West. We moved out to Utah in 1973 and have one mine going. A western utility is planning to back another one that we will open in Utah. These are deep mines.

Where does nuclear power fit into the future picture?

The problem nuclear power is having today is something the coal industry was criticized for predicting in the mid-1960's. Of course, we need nuclear power; we need all of our energy sources. But the limited supply of uranium, the time it takes to construct plants, and the environmental issues limit the nuclear potential.

Most of the controversy over new coal supplies has centered around surface mining and restoring the land, hasn't it?

Yes, and I'd like to say at this point there is no hangup among coal operators about restoring the land. They are perfectly willing to do so. The argument is over whether the land can be restored and made useful. I'm convinced it can.

A lot of the talk about what's going to happen to the land is rather overblown.

Let's take Montana, for instance. Some environmentalists would have you believe the coal industry is going to start on the eastern border as though it was a sardine can and peel back the whole state. Actually, all of the strip mining there in the next 40 to 50 years wouldn't cover an area as large as Washington, D. C.

Is deep mining benefiting from new technology?

Yes, we are beginning to go through quite a change in deep mining. We have to in order to cope with higher operating costs and the costs added by federal regulations.

I think we have been fortunate in convincing the people in government that a great deal of the research money they are going to spend should be on new methods of mining coal, rather than just on how to burn it or make gas and liquid hydrocarbons from it. You certainly can't do the latter unless you get the coal out.

I take it you're talking about increasing productivity in the mines.

Yes. Our company's average daily tonnage per man, which is our measure of productivity, was 22.5 tons in 1968. Today, it's barely ten.

A fundamental reason for the drop is added federal regulations, which, I might add, haven't accomplished the safety goals expected by Congress. Safety in the mines and factories is a matter of training, education, and responsibility by all segments. The ad-



versary or federal police-state approach presently in effect, with no responsibility on the part of the worker, can't achieve the results we all want.

You have been elected chairman of the Chamber of Commerce of the United States. What do you hope to accomplish in your term of office?

I'd like to work at bringing together the various voices of business. Business leaders will never agree on every policy detail, of course. But I think the time is past when the business community can afford the luxury of dissipating its resources in many different directions and in competing organizations. We need to establish clear priorities and then focus our efforts effectively.

I would also hope to get over to people just what kind of organization the National Chamber is. A lot of people don't really understand it as they should. It is the biggest organization of businessmen in the world, a federation of organizations such as local and state chambers of commerce, trade and professional associations, and American chambers abroad, as well as individuals.

It has a simple mission: to advance human progress through an economic, political, and social system based on individual freedom, incentive, initiative, opportunity, and responsibility.

The National Chamber doesn't assume the role of a special pleader on behalf of a particular industry or geographical area, nor does it intervene in narrow issues. Its bylaws require that its policies be confined to matters that are national in character, timely in importance, general in application, and of significance to business.

In your new role, you will be asked questions about the image of business as the result of illegal campaign contributions by some. How will you answer?

My own feeling is that it was unfortunate. What was needed was a way for business to be able to legally raise money to support candidates for office who believe in the private enterprise system, to put us on an equal footing with labor. And, of course, the corporate political action committees authorized under the election law are one way to do this.

Do you agree with some executives who say all of business is being tarred by the actions of a few?

Yes. But isn't that true of any industry or group? If a few people do a bad thing, the whole group is tainted.

It seems to me that businessmen have to get out and get on the podium and talk to people and keep in touch with the media. Business has a lot to be proud of in what it has done and is doing for this country. After all, we are the ones who raise the capital and buy the equipment and hire the men—I should say, hire people, persons.

On that point, do you have any women coal miners?

We have a few. We've had more, but they have not stayed. I think there will be more women miners in



"Businessmen have to get out and get on the podium and talk to people. . . . Business has a lot to be proud of in what it has done and is doing for this country."



"I think there is more opportunity today than ever before, especially to start your own business. I don't really buy the attitude that students don't like business."

the future. I don't know why they can't work in the mines if they want to do so.

Another question you will be asked, especially by students, is about how great the opportunity in business is today.

Well, I think there is more opportunity today than ever before, especially to start your own business. I don't really buy the attitude that students don't like business. At our company, we certainly don't have any problem in finding competent college graduates who want to come to work for us.

I do think that, to really excite college students about business, you have to start educating them in grade school. The National Chamber has a very good economic education package for youngsters at this level, and many schools are using it now. I hope more will.

You graduated as a marine engineer. How did you get into mining?

I could say I was lucky. This company historically had been a family company, and I came to it through family connections. After the war, they were doing a lot of hiring.

You know, I started out expecting to go right down a shaft on April 1, 1946, my first day, but I was greeted by one of the longest major strikes in the coal industry. It started that day and it lasted for almost two months.

Since the mines weren't working, I was put in a room in the Cleveland office with a lot of financial books and told to study them and find out about the business of coal.

I did. And I found out about costs, production, investment, and the thin line between profit and loss.

I spent the first year working with our safety engineer, and then I got more and more into industrial engineering as we mechanized the mines. After that, I ended up in sales, developing a concept of long-term contracts. There weren't many young people in the company at the time I joined it. So those of us who came into it and stuck it out ended up with pretty responsible jobs.

How old were you when you became president?

An old 37. That was in 1959. I became chief executive officer in 1964.

You mentioned that one of your early jobs was to negotiate long-term contracts. Have you been hurt in this period of high inflation because you were stuck with some?

Yes, one especially. When we negotiated it in 1966, it was profitable at $4.35 a ton. Last year, our material and supply costs alone were more than $4.35 a ton.

You obviously need long-term contracts, so how do you operate in an inflationary period?

All of our new contracts are cost contracts. There is a minimum profit, and there is an incentive to earn more if we can lower overall costs.

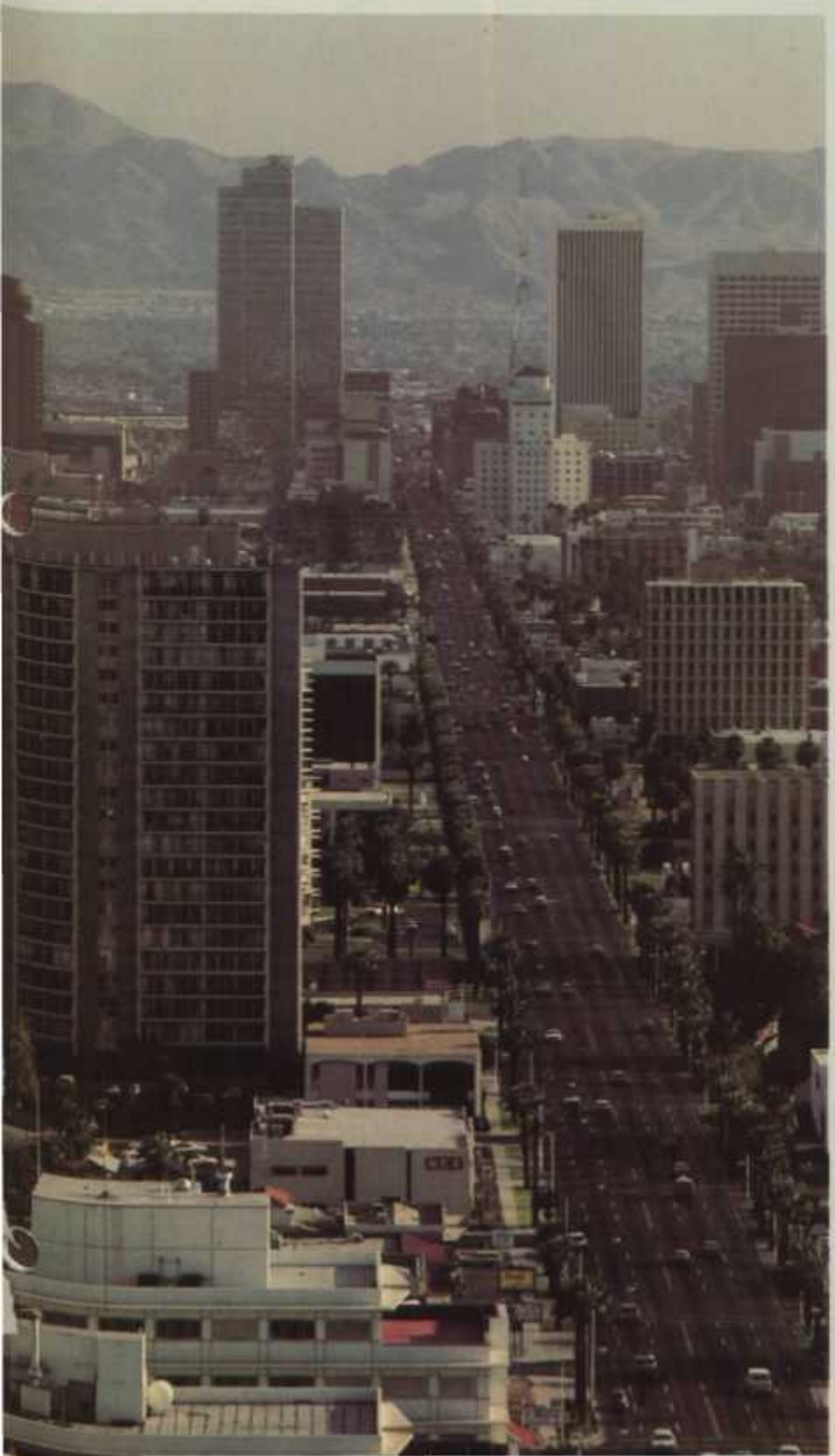
When I came into the coal business, a million-ton-a-year deep mine might have cost $1 million or $1.5 million to open. Today, the cost is more on the order of $35 million. Earnings in our industry have been so poor that there is no way a company like ours can finance a mine like that.

So we are doing it through what we call a take-or-pay contract. The customer guarantees the financing. If, for some reason, he can't take the coal, he still has the obligation to pay off the financing. In effect, we are becoming a management service company. And this probably is as it should be.

Since we deal primarily in steam

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BRILLIANT BLUE skies, crystal-clear desert air, and almost perpetual sunshine—nature smiles on Phoenix.

But it was man who made this city of citrus trees and skyscrapers.

Today, Phoenix is a great metropolis on the Great American Desert.

"Why did Phoenix grow as it did?" asks Jack Williams, former Phoenix mayor who has also been governor of Arizona. "The answer is leadership—and vision."

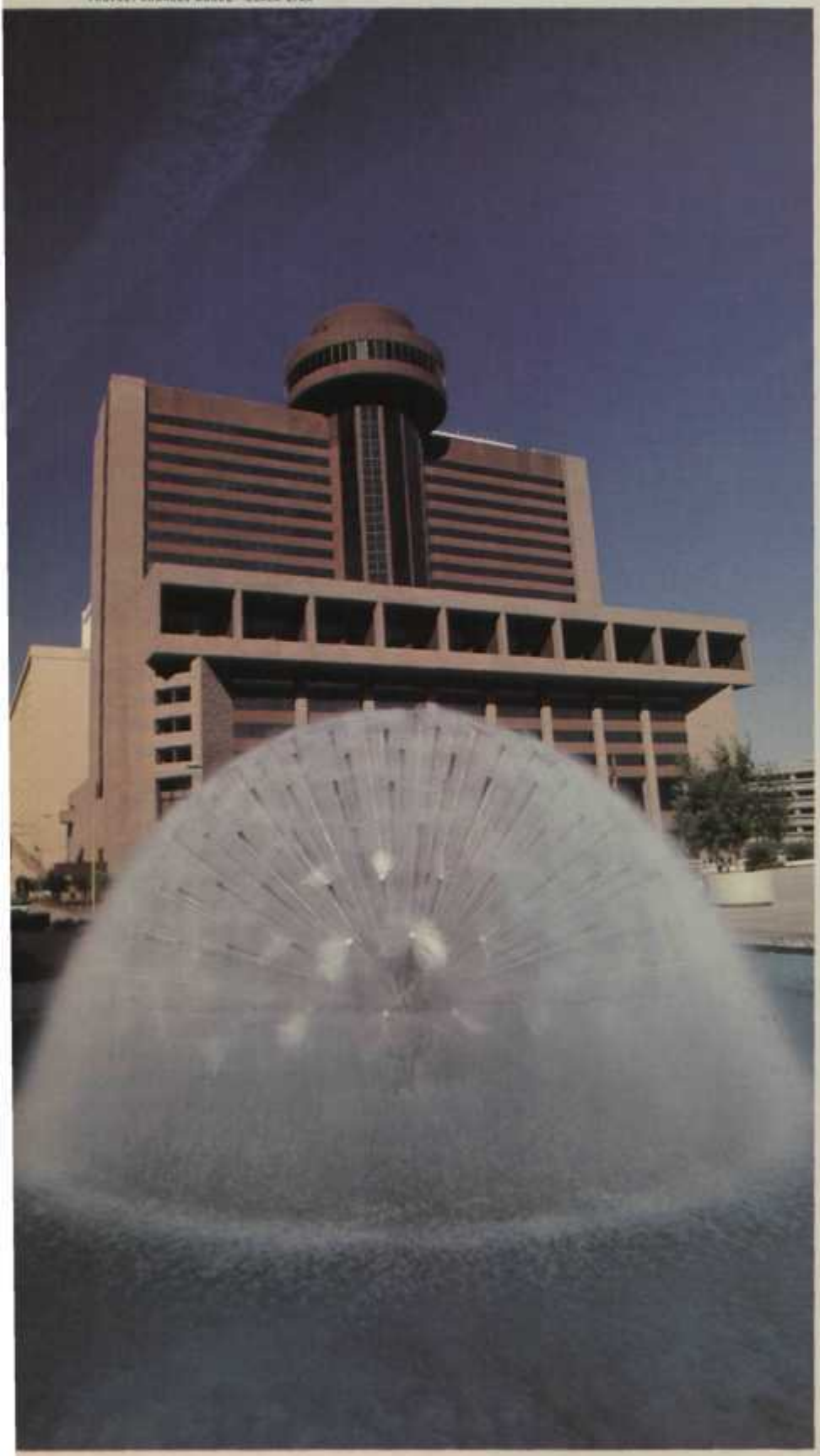
Mason Walsh, assistant publisher of "The Arizona Republic" and "The Phoenix Gazette," shares that view.

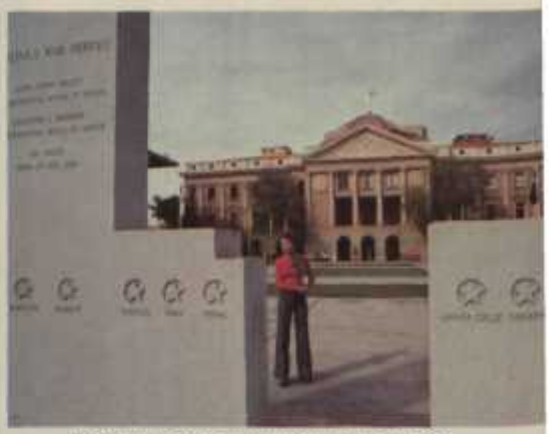
"I grew up in Dallas," he says, "and being here is almost like sitting through a movie a second time. In both cities, much of the growth came from the efforts of the people who lived there."

But others played a part, too. Men

Downtown workers head for home, out palm-tree-lined Central Avenue, as the sun dips toward the mountains that rim Phoenix. The 40-story building at left (rear) is the city's tallest. It houses the Valley National Bank of Arizona.

PHOTOS: CHARLES MOORE—BLACK STAR





The gray stone monument honors the men from Arizona's 14 counties who were killed in the nation's wars. Behind it is the 76-year-old, copper-roofed state capitol.



Fine landscaping is a hallmark of the Arizona Biltmore, a top resort hotel where the rich and famous have come since 1929 to enjoy winter or summer in the sun. This scene is at the hotel's miniature golf course.

Phoenix Civic Plaza, dedicated in 1972, has a symphony hall that seats 2,500, a huge convention center, and sculptures and fountains that make it a civic ornament as well as a civic asset. Beyond its Peacock Fountain stands a new Hyatt Regency hotel.

Brilliant blue skies, clear air, and almost perpetual sunshine—nature smiles on Phoenix. But it was man who made this city a great metropolis on the Great American Desert.

like Orville and Wilbur Wright, Willis Haviland Carrier, even Gen. Hideki Tojo, the World War II Japanese warlord.

The Wright brothers' invention, the airplane, put this out-of-the-way corner of the country on the nation's main line.

Mr. Carrier was the father of air conditioning, which made the city habitable year around.

Gen. Tojo's unintended contribution was the tens of thousands of young men who came to Phoenix to learn to fly. The Army Air Corps had six training fields near the city.

When World War II ended, many flocked back—or stayed.

"Opportunities were here"

One was John J. Rhodes, of Council Grove, Kans., pop. 2,875. First Lt. Rhodes, fresh out of Harvard Law School, had been called up from the reserve to active duty.

In 1941, he was sent to Mather Field in California. Rumor had it that his next assignment was South America or Higley, Ariz. He dashed off a note to his fiancée, back in Council Grove, to break the news.

"I know where South America is," fiancée Betty Harvey replied.

"But where is Higley, Ariz.?"

It was the site of Williams air base, near Phoenix. Lt. Rhodes served there four years. He and Betty, whom he married during the war, fell in love with the place.

After the war, Lt. Rhodes decided to call it home, sweet home. He hung out his shingle and began to practice law. Why did he do it?

"Kansas was a great place," he says, "but at the time, its economy was static. Arizona was a brand-new country, with an expanding economy. The opportunities were here."

He was right about opportunities in Arizona. In 1952, the young lawyer was elected to Congress. He has been reelected ever since. Now, he's minority leader of the House and occupies the handsome suite of offices in the Capitol where President Jerry Ford once hung his hat.

Prewar Phoenix

Prewar Phoenix was a small town, capital of a thinly populated state whose chief assets were copper, cotton, citrus, and cattle.

Arizona was the 48th state admitted to the Union. Only Alaska, Texas, California, Montana, and New Mexico are bigger in area. The state's 113,909 square miles run north from the arid desert to snow-capped mountain peaks. It's the home of the five-story tall saguaro cactus and boasts an impressive stand of ponderosa pine.

"Of the six climatic zones in the world," says Raymond E. Baker, chairman and chief executive officer of Southwest Forest Industries, Inc., "Arizona has all but one—tropical rain forest."

The state also is mineral-rich.

Early settlers came to pan for gold or dig for silver. What they found in abundance was copper. Ninety-five percent of the nation's reserves of the red metal lie within the state's borders. The state supplies 55 percent of America's copper and 13 percent of the world's.

Arizona, not Canada or Zaire in Africa, is the world's copper king.

When Arizona entered the Union, in 1912, the state's residents numbered about 205,000. Only three states, Nevada, Wyoming, and Delaware, had fewer. In 1974, Arizona's population was 2,153,000.

Why it grew

It is now more populous than 18 states.

Arizona's population swelled largely because of Phoenix's growth. In 1945, an estimated 65,000 people lived in the city. Today, more than 670,000 reside within the city limits and 1,173,000 in its metropolitan area.

If other cities had grown as fast as Phoenix, New York's population today would be 77 million and Los Angeles's would be 15 million. Washington, D. C., would have a population of 6.8 million.

Phoenix grew at others' expense.

"We've been adding population at the rate of 40,000 a year," says A. E. "Randy" Randall, executive vice president of the Phoenix Metropolitan Chamber of Commerce.

"Five out of six are people who came here from other cities or states. We've grown like America grew. We're a city of immigrants."

Head counts show that a third come from the Middle West. One out of six is from California—and one reason for that is taxes.

"My wife and I came here after I retired," says an airport limousine driver.

Why did they head for the sunny Southwest?

"I worked in Buffalo, N. Y., for 40 years," he says, adding with a grin: "Does that answer your question?"

Their first choice was California.

"But we left there," he says. "The taxes were killing us."

What businessmen did

After the wartime boom ended, some feared for the city's future. Military bases and defense plants were folding. The bustling economy threatened to go bust.

Phoenix business leaders refused to accept that fate.

They helped bankroll a campaign to sell "snowbirds"—Canadians and Americans living in the nation's snow



Frank L. Snell, one of the city's movers and shakers, is a former president of the Phoenix Metropolitan Chamber of Commerce and a prominent local attorney. A common assessment of the veteran civic leader: "He's one of those people who can always get things done."



Franz G. Talley, chairman and president of Talley Industries, Inc., says his diversified firm makes everything from "rockets to rubber ducks." It also owns the Arizona Biltmore Hotel—called the Jewel of the Desert—which Frank Lloyd Wright helped design.



R. J. "Rod" McMullin (left), president of the Phoenix Metropolitan Chamber of Commerce, is general manager of the Salt River Project, whose dams bring water and power to the Phoenix area. With him is A. E. "Randy" Randall, executive vice president of the chamber, a former Air Force cadet who trained near Phoenix and returned after World War II.

belt—on spending winter vacations in the Southwest.

Luxurious resort hotels and dude ranches always brought in well-to-do winter residents. But Phoenix wanted to tap a mass market.

In 1945, tourism brought in a dribble of dollars.

Today, that dribble has become a flood. In 1975, visitors spent $350 million in metropolitan Phoenix. Tourism is the area's third biggest source of revenue.

Bringing in industry also had high priority.

To make room for it, the city annexed every available acre. In 1940, the city's area was 9.6 square miles. Today, Phoenix is almost 30 times bigger. Its city limits embrace 273.4 square miles.

In the late 1930's, 2,000 Phoenicians were employed by industry. Value added to original materials by these manufacturers was $8.4 million annually.

Today, industry employs 72,000 Phoenix residents. Value added by these companies is $1.8 billion.

Manufacturing—principally, it is in electronics—has passed agriculture as the No. 1 source of income.

Revamping city government

To bring in visitors and industry, Phoenix needed more than space and a sales pitch. Or so its business leaders reasoned.

In its youth, Phoenix had a gamy reputation.

Between 1913 and 1950, by one count, the City Council hired and fired city managers 31 times. Average term in office: 14 months. Two city managers lasted less than 30 days.

"One of the most common reasons for firing city managers," a local newspaper once charged, "is the clash over policy in handling the 'take' from Phoenix houses of prostitution and bookie operations."

During World War II, vice and gambling led Army brass at one point to put the city off limits to military personnel.

"To get a well-run city, we needed a good city charter," says Newton Rosenzweig, prominent local developer and civic leader. "But we also needed dedicated people in office to make the charter work."

The business community took the lead in forming a Charter Government Committee. This reform group works to select—and elect—civic-minded leaders to public office. Its first slate was fielded in 1949.

"From then on," says John D. Driggs, chairman of Western Financial Corp. and former mayor, "the committee had only two defeats out of 91 races for mayor and City Council, until last year."

In last year's contest, Phoenix's present mayor, Margaret T. Hance, was elected without the committee's support, as were four councilmen. The year before, however, she ran for the council and won with the committee's backing.

All Phoenix mayors since 1950 have come from business or the professions—not politics. Mayor Hance was a businesswoman.

The way it was

"The airplane and air conditioning made Phoenix's growth possible," says Frank L. Snell, prominent local



When Greyhound Corp. moved from Chicago, "we didn't lose a single executive we wanted to keep," says Gerald H. Trautman, chairman. "I offered to send back anyone who was unhappy in Phoenix. No one took me up on it."



John D. Driggs, chairman of Western Financial Corp. (left), and Jack Williams, immediate past governor of Arizona, are also former mayors of Phoenix. Both were businessmen when asked to run for mayor by the Charter Government Committee, a local civic group dedicated to good government for the city.



J. S. "Jack" Francis, Jr., is vice president of Valley Industries. His firm gins a third of the extra-long staple cotton grown in Arizona. He jokes about Phoenix's residential growth. "We have a new crop rotation system here," he says. "First we plant wheat, then cotton, then we subdivide."

attorney. Mr. Snell, who is a native of Kansas City, Mo., came to Phoenix in 1927.

"My law partner and I had a number of corporate clients," he says. "In those days, it took me three days to get to New York on a train—and three more days to get back.

"Just think of it. A whole week to spend one day with a client.

"Now, by air, it's five hours. That's made a big difference to this city. We're only a few hours from anywhere in the United States."

A summer ghost town

Without air conditioning, adds Mr. Snell, "I don't think this city would ever have had more than 50,000 or 60,000 permanent residents.

"At one time, you couldn't build apartments here. No one would live in them. You had to have a house with a yard, so you could cool off in the yard at night. In fact, sometimes you had to wrap yourself in a wet sheet to get any sleep.

"Air conditioning changed that."

Lawyer Snell had the first air-conditioned home in Phoenix.

In the early 1930's, a contractor was installing that modern convenience in the Heard Building, where Mr. Snell and his law partner had a suite.

"I told the contractor," Mr. Snell recalls, "that I felt terrible. Here I was with a nice cool office, while my wife and children were back home sweltering in the heat.

"He said: 'Well, Frank, I'll tell you what I'll do. I'll put air conditioning in your home, at the wholesale price, if you'll let me advertise that I've installed it there.'

"I said: 'If you'll do that, you can let prospective customers troop through my house to see what home air conditioning is like.' "

A health resort

Today, 74 percent of Phoenix homes have air conditioning. And 32 percent have evaporative coolers. Nearly 60,000 homes—one out of seven—have swimming pools.

Autos, too, are air-conditioned: 95 percent of them.

By a U. S. Weather Bureau count, Phoenix has sunny weather 86 percent of the time. By contrast, Chicago is sunny 57 percent of the time; Boston, 59 percent; New York, 59 percent; Miami, 67 percent; Los Angeles, 73 percent.

The motto on Arizona's state seal is Ditat Deus: God enriches. Weather is one of the enriching gifts. The climate is not only sunny, but bone dry, making Phoenix a mecca for bronchial sufferers.

This brings the city some talented people.

G. Clarke Bean, for example. He started out working for Bankers Trust Co. in New York City.

"But every winter," he says, "I got a chest infection. I'd be out for a week or two at a time. I began to miss promotions. When they were made, I wasn't there."

In 1947, he moved to Phoenix. Now he's chairman and chief executive officer of The Arizona Bank.

Why Motorola came

Motorola, Inc., is Arizona's biggest employer. At peak strength, it employs 22,000 people.

Dr. Dan E. Noble, who developed

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the walkie-talkie, brought Motorola to Phoenix.

In 1946, he was in charge of the company's communications division. "I was convinced," he says, "that solid-state electronics would be the major concern of the electronics industry for the next 50 years.

"One day I walked into the office of the late Paul Galvin—he founded Motorola—and said: 'I'd like to build a solid-state research laboratory down in the Southwest. We'll need physicists, chemists, and mathematicians, as well as electronics engineers. I think the brain power we'll need would find the Southwest a good place to live.'

" 'Then why don't you do it?' Galvin replied."

Dr. Noble chose Phoenix. It had good weather, good schools, a symphony, museums, and potential for the backup industrial support you find in a metropolitan area.

Motorola's first recruiting ad proved Dr. Noble had picked a winner. "We advertised for technicians," he says, "for positions in Chicago and in Phoenix. We got more than 200 applications for Phoenix and a handful for Chicago."

Dr. Noble's laboratory was a one-room shop in a downtown office building. It has grown into two of Motorola's four major divisions: semiconductor products and government electronics.

The welcome mat

The city bends over backward to make new corporate citizens feel at home.

Greyhound Corp. moved its headquarters to Phoenix in 1971. The Fantus Co., a leading site-location firm, made a nationwide search and recommended Phoenix over four other possible locations.

"When we moved, we got all kinds of help," says Gerald H. Trautman, Greyhound's chairman and chief executive officer.

"Local bankers gave low financing to our employees who were moving here and buying homes. Temporarily, we put up some of our people in hotels, at our expense. The hotels offered us a special discount rate.

"No detail was too small. When we moved into our office building, the state Department of Transportation set up a special desk for us in the lobby. The idea was to make it easy for Greyhound workers to get new license plates."

Labor peace

In some cities, labor and management are often at each other's throats. Not in Phoenix.

"Phoenix is a good town, laborwise," says Larry Dugan, Jr., business manager and executive secretary of Local 428, International Union of Operating Engineers.

"And that's despite the fact that Arizona is a right-to-work state. For example, nearly all construction, including residential, is the work of union labor.

"We've had very few serious labor disputes here. Labor and management work closely together."

Why are relations good?

"Most of the labor leaders and contractors grew up together. We've had much more personal contact. I think labor has been realistic in its contract demands, and management has been willing to share the fruits of progress."

Making it the hard way

The spirit of entrepreneurship flourishes in Phoenix.

Douglas H. Driggs and his father started Western Savings and Loan Association in Phoenix 47 years ago. They had $2,500 of their own and $50,000 of borrowed money.

"We rented one room on the third floor of a downtown building," says Mr. Driggs. "People in Phoenix didn't even know we were there.

"So I and two of my brothers went from town to town, selling savings and loan certificates. Here's how it worked:

"I'd call on you and say: 'Out of your $200-a-month salary, save $11 a month for 10½ years. Then, at the end of that time, we'll pay you $2,000. Of that, $614 will be interest.'

"It was almost like selling insurance."

It took Western 15 years to reach $2 million in assets. In the next 30 years, assets rose to $1 billion. Today, Western—principal holding of Western Financial Corp., which Douglas Driggs's son, John, heads—



Arizona State University's main 430-acre campus is in Tempe, part of metropolitan Phoenix. Students on campus number 30,000. Dr. John W. Schwada, president since 1971, has presided over much growth.



International Union of Operating Engineers official Larry Dugan, Jr., grew up in Phoenix. So did many employers he deals with. That makes for good relations, he finds.



Margaret Hance is Phoenix's first woman mayor. A longtime resident who has seen her city grow into the state's largest, she continues to favor orderly growth and new industry "compatible with the city's life-style."

is among the 25 biggest savings and loan associations in the United States. Another Phoenix organization on that list is First Federal Savings.

A bank's huge growth

Valley National Bank of Arizona is big league in its field.

To some extent, it is the lengthened shadow of a man.

Walter Reed Bimson left a safe job with Chicago's Harris Trust & Savings Bank in 1932 to become president of a tiny bank in Phoenix with a shaky future.

Valley National had 12,000 customers and $6.7 million in deposits. It ranked 557th in size among the nation's banks.

"Walter Bimson did two things that were outstanding," says old friend Frank Snell, a Valley National board member. "At the time of the bank closings, Arizona issued a lot of state warrants to pay schoolteachers and other public employees. But no one would cash them.

"Walter issued a statement saying Valley National would cash any state warrant at par. You can't imagine the goodwill that created. People remembered it for years.

"Then, during World War II, the Army Air Corps was training fliers here. Graduates got officer's commissions. New second lieutenants had expenses that went with those gold bars.

"Walter Bimson laid down a flat rule. Any newly commissioned graduate could get a $500 loan on his signature alone. A lot of those lieutenants came back after the war and eventually went into business.

"They wouldn't think of going to any bank but Valley National."

Today, Valley National has deposits of $3.3 billion. It is America's 32nd largest bank.

Problem-solving settlers

Phoenix was settled by problem-solvers. Contrary to popular belief, they didn't make an arid desert bloom. Phoenix sits atop the rich alluvial soil of the Salt River Valley.

"When we dug a basement and sub-basement under an addition to our plant," says newspaper publisher Walsh, "we went through 30 feet of that soil before hitting bedrock."

The valley was lush when the first settlers arrived in the late 1860's. Here's how one described the scene: "The valley, when we first saw it, was lovely. There was grass about a foot high, and it was fine."

The settlers' problem was alternating years of flash flood and drought. They needed reservoirs in the nearby mountains to store water for use, as needed, on their irrigated fields.

Washington was persuaded to build Theodore Roosevelt Dam on the Salt River. The dam was dedicated in 1911. It cost $10 million.

In those days, Washington wasn't trying to solve all problems by throwing money at them. The $10 million was a loan to be repaid by Phoenix landowners. They had to pledge their holdings as security.

By 1955, they had paid back every cent.

The landholders are owners of the Salt River Project, an irrigation and power development.

"Phoenix has 13,000 square miles of watershed," says R. J. McMullin, general manager of the Salt River Project, "to provide water for 250,000 acres of land in the valley."

Irrigation is a boon

Irrigation has been a boon to agriculture.

"In Arizona, we grow an average of 1,188 pounds of cotton per acre," reports J. S. Francis, Jr., a vice president of Valley Industries, "while the U. S. average is 443 pounds. Same with wheat. Our irrigated fields grow 66 bushels an acre. The U. S. average is 27.4."

Last year, metropolitan Phoenix's

How we helped Digital Equipment Corporation out West.



A few years ago, the people at Digital Equipment Corporation of Maynard, Massachusetts began looking Southwest for a new plant location.

Phoenix turned out to be the right place.

"Why Phoenix? Good labor market, both professional and direct, for producing our kinds of products," says Digital's Phoenix Operations Manager, Howard Reed.

"Phoenix provides a strategic Western U.S. nucleus for our company. It's close to sources of raw materials. It's an attractive place to live.

"Everyone we've dealt with has made us feel welcome. Really cooperated with us. Especially the Valley National Bank people.

"They visited us in Maynard, back in the early planning stages. Explained their services. Offered their help. And once we got to Phoenix, their assistance proved invaluable.

"They provided us with a creatively drawn and flexible line of credit for corporate use. They provided disbursement, payroll and petty cash services. Structured a special banking package on checking, savings and personal loans and mortgage money for our employees.

"Their services are top-notch, and we've been delighted to find everyone at Valley National Bank so customer-oriented."

What our Industrial and Corporate Development Department did for Digital Equipment Corporation, it can do for you. Call (602) 261-1708 and ask for John C. Baldwin, Senior Vice President.

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income from crops and cattle-raising was $434 million. Its bumper crops are partly due to the immense amounts of solar energy southern Arizona soaks up. In the entire Western Hemisphere, less than four hundredths of one percent of the earth's surface receives 4,000 hours of sunshine per year or more.

Phoenix is in that sun belt.

"The Southwest is the shining spot for the next 20 years," says Valley National Bank Chairman Gilbert F. Bradley. "Our population growth rate is 3.6 percent, compared to 1.3 percent for the rest of the United States. So we're growing nearly three times faster."

The kind of people you find there may have something to do with it.

Donald H. Flower thinks so. He's a former Royal Air Force pilot who learned to fly at Falcon Field near Phoenix.

During World War II, some 2,000 British cadets earned their wings there. People treated them royally.

After the war, Mr. Flower decided to come back to Phoenix. To his surprise, many of his comrades from Falcon Field were back in Phoenix already—including his old commanding officer.

Why did they return?

"I think it's the life-style," he says. "You know, easygoing business relationships, nice working conditions, and a pleasant way of living. That and the wide open spaces."

Hospitality that lasts

One thing about Arizona made an indelible impression on Donald Flower, now a partner in a local insurance firm.

"About 22 of our cadets were killed," he says, "in training accidents at Falcon Field. They're buried in a little corner of a cemetery in the nearby town of Mesa.

"Every year, on Armistice Day, a women's group in Mesa holds a service for them. Members of local American Legion Post No. 26 keep up their graves. On Decoration Day, they do something special. The post puts two little flags—one the Stars and Stripes, the other the Union Jack—on every grave.

"Arizona's hospitality lasts longer than life itself." END

What You Can Do About Employee Theft

BY MARK LIPMAN

An expert at stopping crime
in the work force and catching the criminals
gives some practical advice

THE LARGE HOSPITAL was having a problem. An audit showed the institution was spending far more for food than it should have been.

A security services firm was called in, and it placed an undercover agent in a section of the hospital warehouse where food is stored.

The agent learned that the $21,000-a-year dietary administrator was operating an on-the-side weekend catering service. He and members of his staff used the hospital kitchen to prepare food stolen from the warehouse, used the hospital's dishes and other equipment to serve at catered events, and used a hospital truck to transfer the food from the hospital to wherever the catered events were taking place.

After the events—wedding receptions and other parties—were over, the group would bring back unused food, wash the dishes, and put them back in place.

Lobster and caviar

Sometimes, the dietary administrator would order special foods from the hospital's suppliers to fulfill the desires of his catering clients: lobster, caviar, fancy pastries, and other viands that the hospital would not have ordered for patients under any circumstances. The administrator and his cohorts even ordered special wedding cake knives and had them delivered and billed to the hospital. The hospital was paying the bills without checking up.

The agent's investigative work included crashing several parties to obtain information. When the investigation was finished, the dietary administrator was interrogated. He admitted using several hundred thousand dollars worth of food and other items belonging to the hospital for his own gain.

He was fired but, regrettably, not prosecuted.

Unusual? Not really. There is employee theft of varying degree in every conceivable type of institution—and every conceivable type of business.

Employees' crime this year will cost American business more than $7 billion. In effect, this will amount to a hidden tax of almost .5 percent on all the goods and services that will be produced during the year.

Half the people you passed on the way to your office today may be thieves. That may sound like a harsh judgment, but indications are that 50 percent of employees steal something from their company. In most cases, the stolen items are of small value—petty office supplies, for example. But all too many employees steal an occasional article which their company makes or sells. And it's a good bet that five to eight percent of employees of any given company steal on a systematic basis, netting $50 to $100 a week regularly from their thefts. Such individuals sell their employers' goods in direct competition with the employers.



DRAWINGS: CHARLES A. DUNN

Employee thefts are on the increase—by how much, it is virtually impossible to tell, since most of the thefts aren't recognized as such and most of the others aren't reported to authorities.

Mr. Average Citizen

A retailer will lose almost $6 to his employees for every $1 he loses to outside shoplifters. All too often, he attacks the symptom by passing the cost of theft along to the consumer. He is virtually an accessory to the crime.

The typical employee thief is not a dope-crazed ghetto dweller forced to a life of crime to support an

ever-increasing addiction. He is not the classic organized crime chieftain. He is Mr. Average Citizen.

Very often, he is particularly well-liked and trusted by his boss, who is reluctant to believe proof of his guilt.

Take the case of a dock supervisor for a company which manufactured fabrics. The man was observed by one of my security services firm's undercover agents loading $8,000 worth of merchandise into a leased truck. The agent noted that no paperwork accompanied the transaction; a checkup the next day confirmed the fact that the order had gone out without billing. Three weeks later, there was still no sign of billing, so I was called in to interrogate the dock supervisor. That very day, another transaction without paperwork was enacted—this one for $12,000.

The client's main concern was the reaction of his trusted employee to the proposed interrogation; however, he gave me 90 minutes to get a statement. I got it. After the statement was signed and witnessed by the client, I asked the man, "How much did you receive for the $12,000 you just shipped?" He replied, "$750."

It didn't matter how much the merchandise was worth—the man needed $750 for a horse bet he had made the day before.

"It's your fault"

Confronted with the fact that he was just a crook, the valued employee turned to his employer and said, "It's your fault—you didn't increase my salary or upgrade my title, and I have been with this company for 14 years." If the company had been more alert to security requirements, the dock supervisor might still be one of its most trusted employees today.

Instead, he was fired and his case was turned over to the authorities.



One of them is a thief



Make theft more difficult

There are many apparent reasons for employee theft in addition to gambling. The reason may be liquor, drugs, or the opposite sex. The employee may tell himself the company will never miss what is stolen. He may be starving for personal recognition by a big, impersonal employer—and taking out his frustrations against the employer by stealing.

But none of these are the real reason for the employee theft. The real reason is that the employer just makes it too easy for an employee to steal. The employer will provide an accident-free environment to keep an employee from being hurt—but he's too complacent to provide a theft-free environment to keep an employee from stealing.

Most stolen goods leave a place of business the same way that those which are bought do—either through the shipping areas of a plant or the doors of a store. But not all leave that way, of course.

There's the mail room theft—where the employer loses not only the goods, but also the postage to send them out. There's the receiving dock, where the dishonest employee merely loads a pallet of goods aboard the same truck—driven by an accomplice—which had just made a delivery.

Favorite exit points

Another favorite exit point for stolen goods is the trash collection and disposal operation. For the thief, this area is ideal, because if it appears that he may be caught, he can just shovel the incriminating evidence into the incinerator or the Dumpster.

Still another favorite point for removal of stolen items is the parking area. Goods can be simply tossed over a fence or taken down an infrequently used fire stairwell to the parking garage and into the trunks of waiting cars.

You cannot foil all employee theft, but you can re-

duce it to a minimum. In order to do so, the employer must institute a proper climate in the company. There should be a feeling that a trust exists between employer and employee; a feeling that honest employees should report anything they learn about dishonesty of fellow employees before they unconsciously get involved—and begin thinking that management is not interested enough to stop thefts, so why not be as dishonest as their fellow employees are.

Also, it is necessary to remove temptation and opportunity.

Surveys should be made to determine if there is laxity in security when merchandise flows in and out.

Do you have a fence? Do you have guards? Do you have a burglar alarm system? Protective lights? Adequate key control? Door locking schedules? Vehicle monitoring?

Do you have procedures for identifying company property? Do you have a way of screening new employees? Unless prohibited by state law, all employees should be polygraphed, before they start to work, to determine their history and their habits.

There are many areas of vulnerability that sophisticated criminals can spot instantly. The biggest of these areas is complacency—the it-can't-happen-to-us feeling that dominates much corporate thinking.

Steps that must be taken

These are ten things which must be done to minimize your loss potential:

1. You have to make an employee feel that his job is worth keeping and that he can't easily earn more elsewhere.

2. Normal good housekeeping practices—no piles of rubbish or rejects or boxes, no disused machines with tarpaulins on them, and no unlocked, empty drawers —will help assure that there are no places where stolen goods can be hidden. The first job of the thief, after all, is to divert merchandise from the normal traffic flow.

3. Paperwork must be carefully examined and checked at all stages so invoices can't be stolen or altered.

4. Employees' cars should not be parked close to their places of work. There should be no usable cover between the plant doors and the cars.

5. Female employees must not be allowed to keep their handbags next to them at work. Lockers that lock must be provided for handbags. Merchandise has a way of disappearing into a handbag, and once the bag's latch is closed you need a search warrant to get it open again.

6. Whether the place is open or closed at night, bright lights should blaze all around the perimeter so no one can enter or leave without fear of detection.

7. Make certain adequate measures are enforced to control issuance of keys. We've had cases where a manager or supervisor would come back at night for a tryst with a girlfriend and afterward give her an armload of merchandise to take home with her. Key control is very important.



Remove temptation

8. As far as possible, everyone entering or leaving should have an identification card.

9. Keep surplus doors locked. If only two need to be open to handle normal flow of traffic, bolt up the rest.

10. You must safeguard everything of value that thieves could possibly remove, not just obvious items.

Outside help

The best way to meet your obligation to provide a theft-safe environment at your place of business is to go outside your business for talents that you don't have.

Competent professional security services can greatly improve the security odds in your favor. This can be done without your turning yourself into a prisoner of fear.

Uniformed guard services are now in place at factories, warehouses, office buildings, stores, and other types of business establishments. Investigative services, initiated to uncover security problems ranging from employee-related crimes of drug abuse to industrial sabotage or espionage, can supplement a professional security team of uniformed guards.

Finally, after discovering your company's problems, be among the increasing number of businessmen who prosecute dishonest employees, no matter how valued the employees have been. Such prosecutions, with the cooperation of law enforcement officials and the advent of more punitive action on the part of the judiciary system, can be an effective deterrent to future employee crimes. END

MR. LIPMAN *is a director of Guardsmark, Inc., Memphis, Tenn., and head of the firm's investigative division.* *Reprints of this article are available from Nation's Business.* *See page 74 for details.*

The Search for a Better

Beginning next spring, there will be two Consumer Price Indexes, not one. Eventually, there may be even more. This article tells why

EACH MONTH, an average of 130,000 price quotations are fed into computers in a government office building far off the familiar tourist paths in Washington.

The figures represent prices paid the previous month for a wide range of goods and services. A small sampling could include such diverse items as white bread, new houses, boys' sneakers, baby-sitting fees, used Fords and Chevrolets, a visit to a physician, an evening of bowling, a month at college, a new picture tube for the television, and a funeral.

When the programming is completed, the computers produce a printout of a long list of figures on which the key number is labeled: "All Items."

That key number, the Consumer Price Index, represents the percentage of change from a 1967 base in the cost of a market basket of goods and services. For instance, last February's CPI was 167.1. That meant the basketful then cost 67.1 percent more than it did in 1967.

Not the whole truth

The CPI is made public within 24 hours of its computation, and few government announcements receive more attention from an inflation-conscious nation.

Most people think the CPI is an up-to-date measure of living costs for Americans in general.

The fact is, however, that the

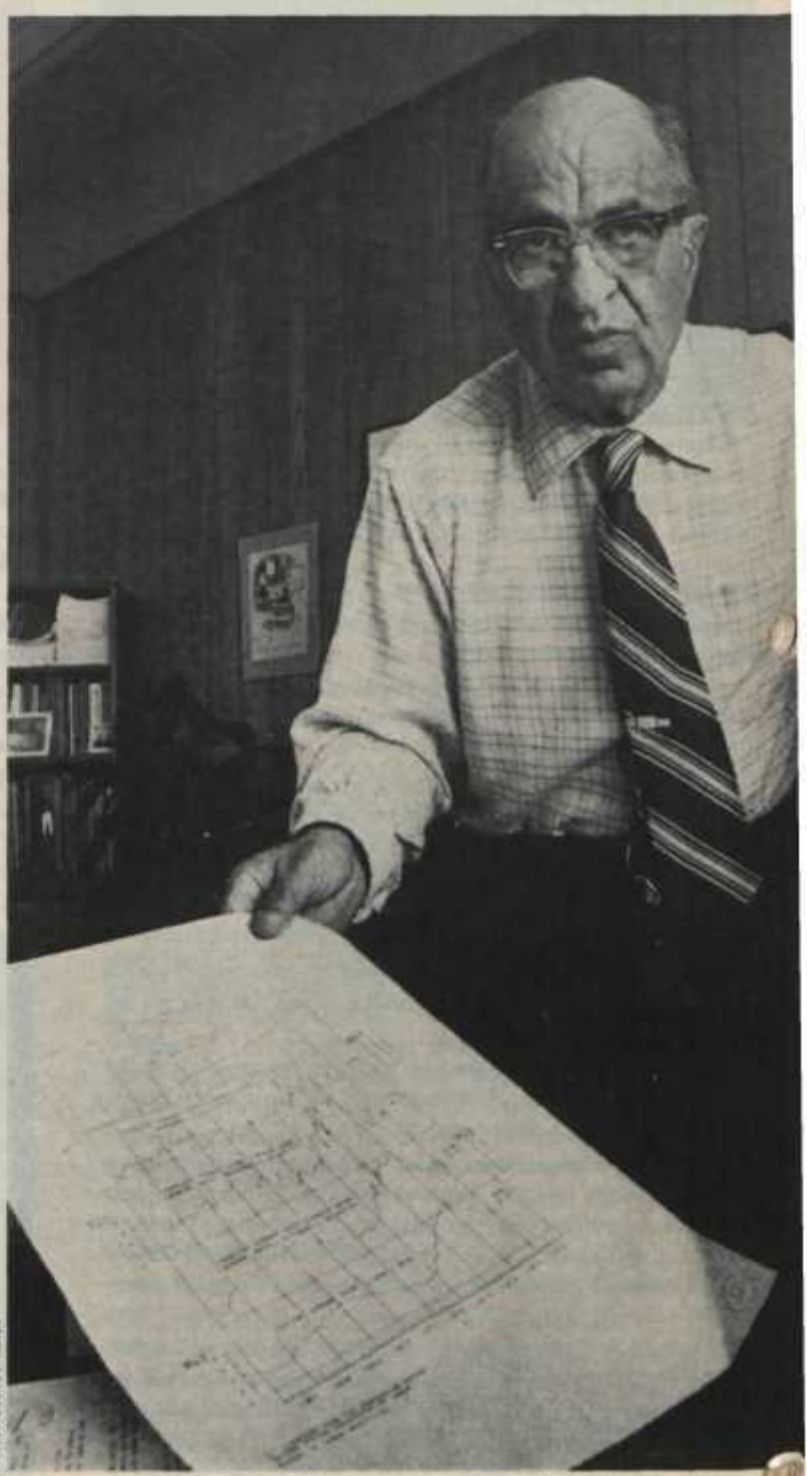


PHOTO: GEORGE TAMES

Julius Shiskin, head of the Bureau of Labor Statistics, says that "it was clear we needed a much broader index" for keeping track of consumer prices.

Measure of Living Costs

monthly index does not include two important cost-of-living factors, income tax and Social Security payments, though it does include taxes on real estate and sales.

Also, the index as now computed covers the buying habits of no more than 40 percent of the American people, and several of the standards used in compiling the index are outdated.

For the latter two reasons, an overhaul of the CPI machinery is under way at the Bureau of Labor Statistics, the Labor Department agency responsible for computing the index.

An extra index

These are the major changes:

Beginning in the spring of 1977, two Consumer Price Indexes will be published each month for a three-year test period.

One will have the same focus as the present index does—changes in prices paid by urban area workers who receive hourly wages or are salaried clerical workers. Those employees and members of their families represent 35 to 40 percent of the national population.

The second index will record changes in prices paid by a much larger segment of the population. In addition to the hourly and clerical workers, this index will cover urban households of managers and professionals, whether employees or self-employed; retirees; and even the unemployed.

An updated market basket

Neither index will include families in rural areas, members of the military services, or individuals in institutions such as prisons and mental hospitals. The broader, urban household index will cover the buying experiences of 80 percent of the national population, about twice the coverage of the present index.

More accurate survey techniques will be used to determine not only what people pay for the goods and services they purchase the most, but what those goods and services are and where they are bought.

The present index is geared to a 1960-61 survey of buying habits. Both indexes to be published under the new approach will be based on updated information. They will reflect, for example, the extent to which family buying has shifted from downtown department stores to suburban stores and mail-order houses.

While various procedures involved in compiling the present index have been changed in periodic revisions over the years, the increasing tempo of change in American life in the past decade signaled a need for new departures.

"It was clear we needed a much broader index," says Julius Shiskin, commissioner of the Bureau of Labor Statistics.



About half of the American people are directly affected by the present Consumer Price Index through escalator plans for wages, pensions, or other benefits.

The commissioner recalls that the present index evolved from a decision by a World War I agency that a pay raise for shipyard workers was warranted because of increasing living costs. BLS, which had been established in 1885 to collect other information, was asked to determine the rate and extent of the wartime inflation.

Half the population

BLS has been regularly reporting on the cost of living ever since.

Today, Commissioner Shiskin says, "somewhere in the neighborhood of half of the American people are directly affected by the changes in the Consumer Price Index."

That is because a wide range of government benefits and an increasing number of private industry wage scales go up automatically in direct proportion to increases in the CPI. Approximately 78 million recipients of Social Security, government employee pensions, food stamps, and other government benefits, plus more than 7.5 million industrial wage earners, are covered by such escalator plans.

In addition, escalator clauses are being written with increasing frequency into mortgages, leases, alimony, child support, private pension programs, and insurance policies. In the government sector alone, Commissioner Shiskin points out, "a one percent increase in the CPI can mean a $1 billion increase in government payments to individuals."

Businessmen's decisions

Trends in the CPI, of course, enter into decisions on timing of buying and selling by businessmen. Also, CPI trends have obvious effects in the political arena. Any moderation in the price spiral is hailed by the incumbent administration, of whatever party, as evidence that its economic policies are working. On the other hand, increases in the CPI are seized

upon by the opposition party as evidence that the administration has failed to stem inflation.

Originally, the Bureau of Labor Statistics planned to substitute the broad urban household index for the present standard geared to hourly wage earners and salaried clerical workers.

Labor leaders protest

That proposal touched off a storm of protest from labor leaders. In compiling the price index, BLS takes into consideration the ratio of a family's spending in a particular category to the family's total spending. Prices paid for food are weighted more heavily than those paid for recreation, for example.

One of the protesters was Nathaniel Goldfinger, AFL-CIO research director. He said:

"Urban wage earners and clerical workers—low and middle-income families and individuals—spend a certain portion of their income on food. High-salaried people—executives, supervisors, professionals, the upper-income groups generally—spend a much smaller portion of their income on food. . . . If this new index had been in existence over the past three years, we of organized labor are convinced that it would have understated—perhaps substantially understated—the rate of inflation."

Largely as a result of the opposition from organized labor, the decision to go to an exclusive new, broad-based index was scrapped in favor of having two indexes.

However, if the two indexes come out pretty close to one another each month during the three-year test, the dual approach will be dropped. Then only the broad urban household figure will be used.

Mr. Shiskin says he expects that the average income of both groups covered under the two-index plan will be "roughly the same, since the addition of the retired and the unemployed will tend to offset the income increase resulting from the addition of professional workers."

In other words, he sees the weighted value assigned to food prices, which concerned Mr. Goldfinger, as roughly the same under both the new and old indexes.

Two indexes too few?

Overall, however, Mr. Shiskin says no conclusions can be drawn until solid evidence is available. During the test period, decisions on which index to use as an escalator will be made on an individual basis by parties involved—labor and management on wage contracts and Congress on government benefits, for example.

Commissioner Shiskin says it is premature to speculate on what will happen if the two indexes come out far apart each month. However, there has been speculation that if they do, the Bureau of Labor Statistics will be directed by Congress to come up with price index reports affecting various segments of the population.

Where unemployment is concerned, BLS not only reports an overall monthly rate, but gives a breakdown on jobless statistics for heads of households, women, teenagers, minority adults, and minority teenagers.

By the same token, the bureau could report different changes in the CPI as it affects urban wage earners, retirees, and other segments of the population. In that case, escalator clauses in labor contracts covering wage earners would continue to reflect price changes in urban areas; Social Security payments would be increased in proportion to higher living costs for retirees; and other groups would be affected accordingly.

Plans for going to the two-track index have already raised longer range questions about whether there should be not two, but a series of indexes.

Actual financial status

"The Morgan Guaranty Survey," a monthly economic publication of New York's Morgan Guaranty Trust Co., suggests that Congress consider providing money for the computation of special-purpose price indexes. The publication says policymakers might find reliable monthly data on the cost of living for such groups as the poor and aged useful in shaping programs for those groups.

For the present, Morgan Guaranty says, "BLS is on the right statistical track" in going to at least one more index.

Publication of the extra index is certain to focus attention on the question of whether there should be additional indexes that would, as Morgan Guaranty says, give Congress more information about the actual financial status of the various groups receiving aid from the taxpayers.

Whatever the outcome of that discussion, the addition of the broader index itself will provide the business community with greater insights into where and how Americans spend their money. END



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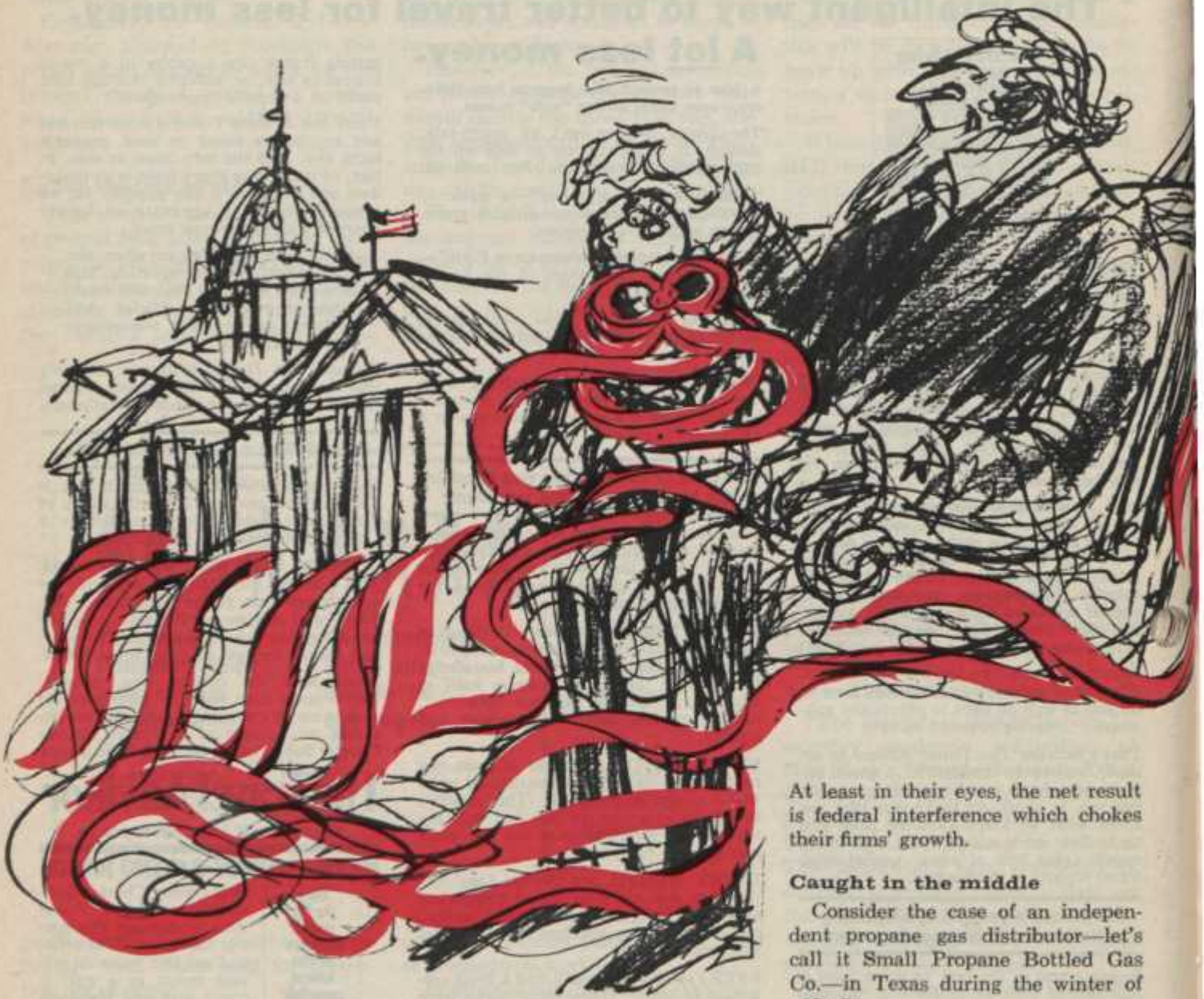
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How Government Chokes Small



Examples such as the propane distributor forced to lose out to a competitor, or the 13-year-old forced to give up bicycle repairing, lead to this question: With friends like Uncle Sam, who needs enemies?

WASHINGTON does many things to support entrepreneurship and small business.

Each house of Congress has a committee to probe into small business problems. An independent federal agency, the Small Business Administration, provides managerial and financial aid to small firms.

Special dollar cutoffs and exclusions are often written into laws to free small business from the burdens the laws impose.

However, the help government gives small businessmen comes nowhere near the harm it does to them. At least in their eyes, the net result is federal interference which chokes their firms' growth.

Caught in the middle

Consider the case of an independent propane gas distributor—let's call it Small Propane Bottled Gas Co.—in Texas during the winter of 1974-75.

During this time, the Federal Energy Administration was trying to hold down the price of propane. FEA did so by controlling refiner prices and the margins allowed distributors. In the confusion, a considerable gap was allowed to open between the controlled price of propane gas refined from crude oil and propane processed from natural gas.

Small Propane Bottle Gas Co. was caught in the middle. The firm was required by regulations to purchase propane from its "historical" supplier—who refined high-priced propane from crude oil.

Business Growth

BY ARMAND J. THIEBLOT, JR.



In addition, FEA regulations did not permit the distributor to pass on fully other higher costs, such as labor. Thus, even after adding the maximum markup allowed Small Gas, the firm was losing one third of a cent on every gallon it sold.

To make matters worse, one of the firm's direct competitors was a large integrated processor which was stripping propane from cheap natural gas. Thus, Small Gas's rival was able to undersell it by 6.6 cents per gallon. Small Gas could have asked FEA for permission to add on a higher markup. That way it wouldn't lose money on every gallon sold. However, it would then lose even more customers to its competitor.

Small Gas was considering closing its doors after 35 years in business.

Not the intent of Congress

This independent distributor's case was hardly an unusual one that winter. Such developments were both unintended and unnecessary. In the view of the Texas LP Gas Association, "Congressional intent in all of the existing enabling legislation was never meant to be such as to cause bankruptcy within the sphere of small business." But, the association says, this is exactly what was happening.

Of course, it is small solace to know that your firm has been squashed simply because some bureaucrat failed to look before he put his foot down.

In Michigan, another independent propane gas distributor asked FEA for permission to buy from someone other than his historical supplier. FEA sent the request back along with a three-page form that the distributor was directed to fill out. The form asked for five years of detailed company financial history, projected financial statements under various alternative market conditions, a list of the prices currently charged by all major competitors, and much more.

Only a big corporation with access to computers could supply some of the information requested. No one without police powers could supply all of it.

As one critic says: "You wonder if the FEA officials really understand the ultimate consequences of their rigidity."

The paperwork burden

It is an unfair presumption of the government that small businessmen should have no particular problems filling out forms. Raymond Hollis, president of a small manufacturing firm, took issue with this in a congressional hearing. He pointed out:

"A man may go into business because he is a great salesman, or a good production man, or an engineer, etc. No one goes into business because he is a great form-filler, or in order to fill out forms."

As a firm develops more fully, the paperwork burden changes in scope.

Bigger firms must begin to cope with such forms as the Census Bureau's Census of Manufacturers. That takes about eight man-hours to complete. Or with Form EEO-1 on minority employment, the Occupational Safety and Health Administration's forms 100 to 102 concerning occupational injuries and illnesses, or the U. S. Labor Department's forms D-1 through D-3 for the Welfare and Pension Plans Disclosure Act. To say nothing of wage survey forms, bonding forms, wage reporting forms, clean air forms, and so on.

If a firm moves into government contracting, it can expect to be buried in paperwork up to its eyebrows.

To the small businessman, dealing with the bureaucracy costs far more than just time or money. The total price includes frustration, aggravation, and loss of independence.

It may come as something of a surprise, but the entrepreneur's primary motivation in setting up his own shop is seldom to achieve fame or gain fortune. Rather, it is to get away from having to work for someone else.

Learning what's required

Small businessmen, in other words, are an independent lot, and are resentful of the ever-increasing governmental interference with the development of their firms.

It is a preposterous presumption of American jurisprudence that everyone knows the law.

The presumption is necessary, perhaps, for the fellow who claims he didn't know the red octagonal sign meant he was supposed to stop. But as the complexity and obscurity of laws increase, reliance by regulators on the presumption of perfect knowledge should attenuate.

On taxing and regulatory matters, there is no common source of information. Each separate authority handles only its own forms. Even the help which the Small Business Administration can give is spotty, except for firms engaged in the most ordinary sort of retailing or service businesses.

Finding all the forms is only the start of the problem. Reading all the instruction books and figuring out where a new form fits in is another serious one.

Relying on guesses

Every small businessman comes eventually to the point where he begins guessing about tax interpretations or regulatory applicability to

his case. This increases his risk exposure but helps him retain his sanity. Otherwise, he could spend all his working time tracking references from one obscure government publication to another.

For example, an employer reading through OSHA's "Alphabetical Standards Digest" so he can self-inspect his plant might come to the section about storage.

"Where mechanical handling equipment is used," the digest says, "sufficient safe clearance shall be allowed for aisles, at loading docks, through doorways, etc." Reading this, the employer must then make a choice: Guess whether the space he has provided is sufficient, or find and read the technical reference.

Many government-purchase contracts are a marvelous combination of over and underspecification. A New York manufacturer of machine tools put in several bids to supply equipment to the Tennessee Valley Authority under various purchasing requirements. The firm was surprised to find its bids rejected, even though the bids were considerably cheaper—as much as 40 percent—than competing offers.

Bidding in the dark

When the company contested the awards, it was informed that it did not meet the bid specifications. In the way of such things, the specifications had been written around a competitor's product. The specifications required, for example, such things as nameplate amperage to be a certain value.

However, the specifications did not say whether this amperage was to be load, no-load, or stall—all of which are possible and quite different.

Our small manufacturer pointed out that in all areas where his product differed from the specifications, it was either superior to the specifications or the differences in no way affected the operations, longevity, or capabilities of his equipment.

His efforts were to no avail.

Easy targets

While agency heads say that they do not normally go after the small offender, many small businessmen disagree. They feel that inspectors do single out small firms, because they are easy targets.

> "No one goes into business . . . in order to fill out forms."

Gray iron foundries in this country have a heritage which goes back to the blacksmith trade. Until recently, there were large numbers of small businesses in this field. However, their numbers are shrinking rapidly under the combined regulatory weight of the Environmental Protection Agency and the Occupational Safety and Health Administration.

One small foundry in Ohio, for example, batch-processed its work and used its cupola only an hour or two a day. Nevertheless, the firm was required to install the same clean-air control mechanisms, at a cost of about $35,000, as a foundry using its cupolas on a continuous basis. Having no way either to pay for the controls or to recover the installation costs, the firm closed.

A youngster's sad story

Perhaps the saddest case I have encountered involving the mailed fist of government is the following. It has some aspects of trivia, but it also is chilling in the way rules are applied without interpretation. It involves the child labor laws, whose purpose, like the purposes of EPA, or OSHA, or other agencies, is laudable.

A ten-year-old boy in Los Angeles had both mechanical and entrepreneurial talents. He opened a bicycle repair shop in his family's garage, calling the enterprise Steve's Bike Shop.

As his neighborhood business grew, Steve hired assistants from among his young friends. For their services, he paid fixed fees plus, occasionally, bonuses such as a pair of discarded handlebars. The repair work must have been good, because the shop was in operation for three years.

Then Steve, like many another small businessman, discovered that no case can be too trivial to escape a dedicated regulator. Acting on an anonymous tip, the state labor relations board cited Steve for unlawfully employing minors. The humorless bureaucrats would not be satisfied with a cease-and-desist order, but forced the 13-year-old to close his doors and terminate his business.

As he joined the ranks of the unemployed, Steve undoubtedly reflected on the valuable lesson he had learned about what has happened to the private enterprise system.

What's the answer?

What can be done about governmental interference with small firms? Providing more small business set-asides, loopholes, subsidies, or ombudsmen does not really seem to be the right answer.

The right answer is simple—less regulation.

A good doctor serving a healthy patient should not waste medicine by prescribing both sedatives and stimulants at the same time.

To change the metaphor: As in many other cases, the government is using our tax money to make rain, and it is lending us umbrellas. END

DR. THIEBLOT *is associate professor of business policy at the College of Business and Management, University of Maryland. This article is taken from a paper he prepared for the Center for the Study of American Business, Washington University, St. Louis, Mo. Reprints of the article are available from Nation's Business.* *See page 74 for details.*

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Randustrial® offers FREE 2 gallon samples of many of its products to provide you an opportunity to see how they work in your plant, prior to buying. Simply let us know what products you are interested in by checking coupon. You will receive your samples and our 64 page Maintenance Catalog. without delay. (Sample offers not valid for home use.)

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Colorado and Utah together, seven percent. Other states, with much smaller deposits, are Arizona, California, Montana, Idaho, Nevada, Oklahoma, Oregon, Washington, and North and South Dakota.

In addition to the known reserves, ERDA says, much larger resources of uranium ore that can be recovered at $30 or less per pound are believed to exist in the U. S. Based on geological evidence and limited samples, the agency estimates this ore totals 2.9 million tons.

Uranium oxide also is obtained as a by-product of copper and phosphate mining. ERDA estimates that 140,000 tons of uranium oxide will be produced that way in the next 25 years. •

Aid to U. S. Exporters

Commerce Department's National Technical Information Service now offers U. S. manufacturers complete up-to-date information on technical specifications required by foreign buyers.

The new data system is called THE—Technical Help to Exporters. NTIS says this system includes the world's largest and most authoritative collection of international standards.

The Commerce Department agency can now supply U. S. customers with information packets that include international regulatory information on product safety standards, performance criteria, and coding and certification systems.

William T. Knox, NTIS director, calls THE a valuable addition to the services his agency provides.

"We try," he says, "to spread the latest research into the production lines and the payrolls of U. S. industry. Helping our exporting manufacturers in this way fits well into our recognized service." •

Our Next Generation of Computers

Federal computer experts say the computer systems of the 1980's aren't going to be radically different from those of today. Any dramatic developments will likely be spin-offs from space exploration and attempts to improve national security.

But demand from the civilian sector could trigger some innovations, predicts Dr. Ruth M. Davis, director of the Institute for Computer Sciences and Technology of the National Bureau of Standards. Two possibilities are wider application of "wand" technology, such as used in retail electronic checkout systems, and greater use of solid state memory devices.

Still, she predicts, magnetic core memories and magnetic storage devices will continue to be predominant in the next generation of computers. •

How to Get More Miles per Gallon

Weight reduction is an obvious way to gain better gas mileage for autos, and industry suppliers are mindful of that in developing new products.

One of the latest is a mini-spare tire and wheel developed by The Firestone Tire & Rubber Co. It is about 20 pounds lighter than the conventional spare.

In addition to a 40 percent weight saving, the new mini-tire and wheel are 50 percent smaller than the old style spare, thus freeing trunk space. The mini-tire and wheel have an overall diameter about 17 percent smaller than the spare now in use.

A car shouldn't be driven at more than 50 miles per hour on one of the mini-spares, but it can be driven safely at speeds up to 50 for a long distance. Firestone officials say steering and braking characteristics of the new spare are comparable to those of original equipment tires.

Mini-spares are expected to be introduced as original equipment by auto makers late this year. •

Cutting the Cost of Drilling

Prospecting for geothermal energy can be as expensive as probing for oil, experts say, since the usual practice is to use conventional drilling rigs. However, by using slimmer drills, the Energy Research and De-

continued on page 72F

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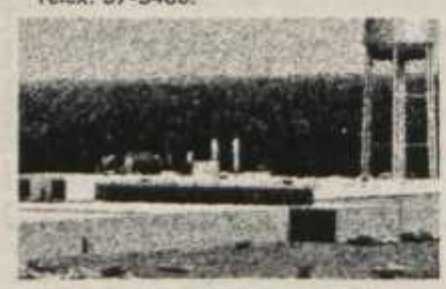
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Phone: (919) 829-4151,
Telex: 57-9480.



North Carolina

velopment Administration expects to cut drilling costs by 75 percent.

ERDA has given The Battelle Memorial Institute's Pacific Northwest Laboratories a contract to evaluate the slim hole technique at Coso Hot Springs, Calif. Two holes, each four inches in diameter, will be drilled to prospect for geothermal sources. Four to six more holes will be drilled if the initial wells are successful.

The slim holes, which can go down to a maximum depth of 5,000 feet, can't be used for actual power generation. However, they will save exploration costs. Larger bore holes, which can reach down to 30,000 feet, will be drilled for actual production. •

Your Own Space Message Station

An advanced satellite digital communication system is being developed that will feature small stations on each customer's premises. The stations, employing solid state circuits, will be designed to operate unattended. They will have antennae ranging from 16 to 23 feet in diameter.

The system will be operated by a partnership between COMSAT General Corp., IBM Corp., and Aetna Life & Casualty Co. It will permit the customer to combine voice, data, and image in communications relayed by a satellite in geostationary orbit at 22,240 miles above earth, instead of the land lines used now.

The new partnership, named Satellite Business Systems, estimates that $250 million will be invested in the network, which is slated for operation sometime in 1979. SBS has filed an application with the Federal Communications Commission to establish the system. •

Chemical Makers' Profits Up

Sales and profits in the chemical industry are expected to be up significantly this year, the Manufacturing Chemists Association says. Data from association members indicate an overall 17 percent increase in sales over the 1975 figure of $86 billion.

Net income after taxes may rise 20 percent over last year, the association concludes, although operating costs are rising, too. Cost increases are expected to range from seven percent for transportation and distribution to 15 percent for fuel and electrical energy. Raw materials, wage rates, and construction costs could each be up nine percent this year.

The industry had record favorable foreign trade balances of $4.8 billion in 1974 and $5 billion in 1975. An increase of nine percent is forecast for this year. •

Glass Strands Could Replace Copper Wire

Talking via light waves carried on glass may be just around the corner.

Bell Labs has announced that it has begun active testing of an experimental light-wave communication system.

If the system proves out, fiber optics could have a bright future—some of it at the expense of copper wire.

Thin strands of glass that carry light, fiber optics are bundled together into a lightweight cable which has many times the data-carrying capacity of a comparable wire cable.

The transmission process starts when an electronic signal is converted into light by a transducer, such as a light emitting diode. The light travels through the glass strands to its destination, where it is reconverted to electronic signals.

One agency highly interested is the Air Force, which finds fiber optics do a better job than copper wire in certain applications. Developers claim the price of fiber optics is now comparable to copper. Also, Air Force researchers say, the glass strands offer such advantages as immunity to lightning, nuclear radiation, and electrical sparking—and present no grounding problems.

The impact could be great for the entire communications industry. The telephone industry, for example, has a network of 186 million miles of conductors containing two million tons of copper. By 1990, that could be up to four million tons. •

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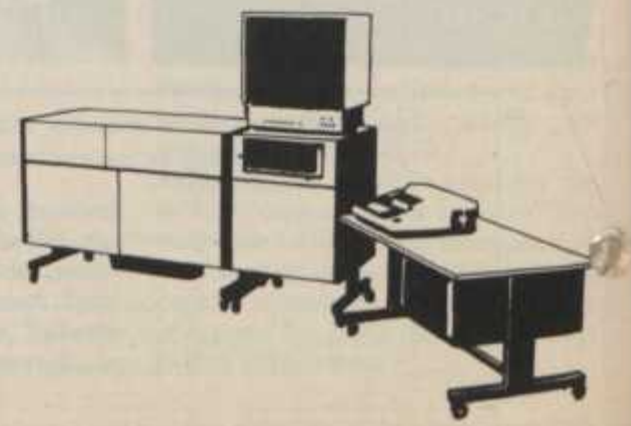
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2. **Can you name its largest freight transportation system?**
CN (Canadian National Railways) — serving all 10 provinces, with subsidiary rail lines serving 13 U.S. states.

3. **Which East Coast Canadian ports are hundreds of miles closer to northwestern Europe than New York or Baltimore?**
Halifax in Nova Scotia and Saint John, New Brunswick — both with tracks right to dockside.

4. **Now how about Canada's West Coast port that's well situated for Japan?**
Vancouver — with the newest West Coast container operation, Vanterm.

5. **What's the best way to ship to Alaska through Canada?**
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Letters to the Editor *continued from page 17*

Recyclers comment

Having spent 43 years with a paperboard company whose survival depended on recycling, I am particularly appreciative of the "Guest Economist" column by Dr. Edward M. Syring, Jr., entitled "Realizing Recycling's Potential" [February].

He has given us an incisive analysis of a complex problem which demands increasing attention.

Here at Western Michigan University, our Paper Technology Foundation is establishing a fiber recycling unit in our Paper Science and Engineering Department. This facility will be used to:

- Train students to analyze, develop, control, and administer programs related to energy, resource recovery, and environmental matters.
- Provide opportunities for fiber recycling research both by students and industry.
- Evaluate, on an impartial basis, raw materials, equipment, chemicals, etc.

CARLTON H. CAMERON
Chairman
Special Gifts Committee
Paper Technology Foundation
Department of Paper Science and Engineering
Western Michigan University
Kalamazoo, Mich.

We were disappointed that Dr. Syring's column omitted tires, a very vital product proven to be recyclable.

Tire casings are designed to take more than one tread life. A new tire requires more than seven gallons of petroleum to manufacture; retreading, only two gallons.

Airlines and major trucking firms consider it safe and economically vital to have tires retreaded, and the general consumer should do the same.

JOSEPH J. KILCOYNE
Vice President, Sales & Service
Tire Equipment Division
AMF Incorporated
Santa Ana, Calif.

Overlooked was the automobile recycling industry, the 16th largest in the country, with more than 125,000 employees and $5 billion in annual sales. We number some 15,000 firms, mostly small. Our product is of interest to every American who needs transportation. We salvage usable parts and metals.

D. L. FITZPATRICK, JR.
First Vice President
Automotive Dismantlers and Recyclers of America
Washington, D. C.

The brass and bronze ingot industry has opposed proposals, such as that made by Dr. Syring, for tax credits to stimulate the market for recycled materials. Our industry has justified its existence by its resourcefulness and ability to produce, from scrap, ingots that sell for less than those produced from primary metals.

Ingot producers believe that tax credits for recycling would only provide an unjustified windfall to them and other recyclers.

ROBERT V. MAUDLIN
Executive Director
Joint Government Liaison Committee
Association of Brass and Bronze Ingot Manufacturers and the Brass and Bronze Ingot Institute, Washington, D. C.

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Reprints are available of the following articles in this issue:

"Another Uproar Over the Freedom to Choose" by James J. Kilpatrick **page 9**

"The Real Story Behind the Unemployment Figures" **page 24**

"Lessons of Leadership: Meeting the Challenges to Private Enterprise" **page 44**

"What You Can Do About Employee Theft" by Mark Lipman **page 63**

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By GROVER HEIMAN, Associate Editor

BUSINESS: A LOOK AHEAD

Size Standard Toughened for Small Business Aid

Despite some objections from businesses, the Small Business Administration has adopted a rule aimed at preventing a firm from juggling employment rolls to retain a small business category rating and thereby qualify for SBA assistance.

Until now, a business with too many employees to permit its getting SBA aid could qualify by applying for aid in a period when part-time or temporary workers were off its rolls.

Now, businesses applying for aid will generally have to report the number of their employees in full-time, part-time, temporary, or other categories during each pay period in the preceding 12 months. The effective date for the new procedure is May 3.

Opposition to the rule included contentions that it would cause certain firms to stop employing students, prevent the hiring of part-time help to fill in for vacationing regular employees, cause an unreasonable clerical workload, and limit a firm's flexibility in taking steps to remain a small business.

SBA, however, says it is not desirable for firms to be able to adjust their employment practices to achieve a smallness that doesn't accurately reflect their normal size.

Patent System Revision Moves a Big Step Closer

That long-dormant movement to revamp the patent system is under way. The Senate has passed The Patent Act of 1975, a controversial bill that has been eight years in the making. However, House action is not assured this session.

According to Sen. Philip A. Hart (D.-Mich.), one of the sponsors, S. 2255 would preserve and extend the substantive aspects of the existing patent system while updating archaic administrative procedures. Although codified in 1952, the basic patent system structure hasn't been changed materially since 1836.

Principal changes would be a more rigorous examination of patent applications by the Patent and Trademark Office and greater disclosure of known information to the office by applicants. In theory, this would result in a reduction in the number of invalid patents.

Major goals of the bill, say its backers, are to accelerate and improve the disclosure of new technology and improve the quality and reliability of U.S.-granted patents.

Opponents of the bill say it will make the patent process more costly and difficult for individuals and small businesses. The opponents also say antitrust features in the bill will dry up incentives.

The Patent Office now receives around 100,000 applications annually and grants about 70,000. The average review of an application takes 15 hours. Of patents granted and later challenged by third parties in court, about 70 percent are found to be invalid.

Speedier Payments to Jobless Pushed

States that are slow in paying unemployment insurance claims are likely to have to mend their ways.

Federal guidelines covering prompt payment of benefits have been on the books for several years, but they were only recommendations and some states have been slow in making the payments.

Now, the Labor Department is planning regulations that establish rigid standards for all states to follow in making the first payment to the unemployed.

The plan calls for at least 80 percent of the first payment to be made within 14 days following the end of the first compensable week, if the eligible worker has not moved to another state to find work, and 60 percent if the worker has moved out of the state.

Should a state not meet these new standards, even though it can reasonably be expected to, the federal government would seek remedial action. While this action has not been spelled out, the most drastic step would be to take the program out of the state's hands.

A Bid to Give Small Firms a Larger Washington Voice

A major, continuing complaint from small and medium-size businesses is that they aren't adequately represented on federal government advisory committees and councils. Now, that may change.

A bill entitled Fair Representation for Small Business Act has been introduced in the Senate by Small Business Committee Chairman Gaylord Nelson (D.-Wis.) and a bipartisan group of colleagues.

S. 3085 would amend the Federal Advisory Committee Act of 1972 and the Federal Reports Act of 1942 to provide explicit directions that small firms be fairly represented on panels concerned with matters affecting the economy or business community.

Census Bureau Reports Swing to Single-Person Households

Census Bureau reports bear out a trend that has been heralded for a number of years—people are doing their own thing. Especially young people.

Nearly one out of every five households in the nation is a single, and one out of every three is a couple.

The change was dramatic during the five years ending in March, 1975, with one-person households going from 10.9 million to 13.9 million—a 29 percent increase. Two-person housholds posted a 19 percent hike, rising from 18.3 million to 21.8 million.

At the same time, five-or-more households dropped 10.5 percent, from 13.3 million to 11.9 million. In 1970, the average household was 3.14 persons; last year, it was 2.94. The average family size in 1970 was 3.58 persons; last year, it was 3.42.

Census Bureau officials say the main reason for the change is the falling birth rate, plus the high rate of divorce and separation.

Foreign Trade Policy Will Focus on Service Sector

Confirming that it is Ford administration foreign policy to seek to open up international trade through multilateral negotiations, Secretary of Commerce Elliot L. Richardson advises that the service sector will get a lot of attention.

Mr. Richardson, noting that the U.S. is increasingly a service-oriented society, with more than half of GNP now accounted for by services, has created an interagency committee to make appropriate recommendations to Special Trade Representative Frederick B. Dent. An initial report is expected by June.

In the past, the Secretary says, multilateral trade negotiations have tended to focus on agricultural and industrial products. Now it's time, he concludes, to start addressing the growing service sector internationally.

Mr. Richardson also has established a special committee to meet with business leaders to develop international codes of conduct and propose other remedial actions in the wake of revelations of questionable payments in connection with overseas sales.

Flat Ban on Unionization in Armed Forces Is Sought

Not willing to take any chances, 25 senators have joined in proposing legislation that unequivocally prohibits union organization in the armed forces. Reportedly, several unions are making plans to try to organize those in service, including reserves.

Sen. Strom Thurmond (R.-S.C.), in introducing the bill, S. 3079, noted that armed-forces unionization has already taken place in the Netherlands, Sweden, and Austria. If it takes place here, he said, it would mean the end of an effective defense establishment.

The bill would make it unlawful for any members of the armed forces to join a union whose purpose is to deal with their employer—Uncle Sam—on grievances, pay, and hours or conditions of employment. Also, the bill would make it unlawful for any union or other group to enroll them for such a purpose.

Increase in Farm Loans Slackens

Loans to farmers and farm cooperatives through the credit system supervised by the Farm Credit Administration rose to a record $30.2 billion last year, that agency says. But the increase was smaller than increases in the previous two years.

According to the Farm Credit Administration, the increase over 1974 was ten percent. The 1974 increase over the previous year was 16.5 percent, and the 1973 rise was a whopping 40 percent. FCA officials attribute the moderating of loan demand primarily to farmers' use of funds accumulated from the good income years of 1973 and 1974.

Other factors cited are the lessening of inflation in land and cost of goods for production, fewer land sales, and the fact that farmers are taking a more conservative approach today than in prior years, when pent-up demand for machinery and supplies induced heavy spending.

Loans outstanding at the end of 1975 were $31.7 billion, a $4.3 billion increase in a year. Included in this total was $617.1 million for nonfarm rural home loans, farm-related business loans, and loans to open-seas fishermen—programs which have been authorized only since 1971.

EDITORIAL

Pruning Deadwood From Federal Spending Programs

ONE OF the more disturbing aspects of federal financial policy is the assumption that most government spending is relatively uncontrollable.

The President's proposed budget for fiscal 1977 lists 77 percent of the total—more than $300 billion—in that category, compared with 59 percent in 1967.

That alarming trend has spurred a bipartisan group of senators into proposing a drastic remedy called zero-based budgeting.

Congress now generally considers only whether to increase or decrease individual appropriations. Under zero-based budgeting, the legislators would have to determine periodically whether the program should be continued at all. Retirement programs, health care services, and interest on the national debt would be exempted from the zero-based approach.

The proposal to review most major spending programs in this way has strong support from leaders of the business community.

Dr. Richard L. Lesher, president of the Chamber of Commerce of the United States, told a Senate subcommittee considering the budget legislation:

"Under current budgetary procedures, once programs are adopted, they take on a life of their own, regardless of their effectiveness. . . .

"Appraisal of every major program in the budget from the bottom up, not just the proposed increases or decreases . . . is the only way we know to identify overlapping, duplicative, and obsolete federal programs as a necessary step to pruning the deadwood."

Zero-based budgeting, Dr. Lesher said, "will make every program stand on its own merits."

Even the most dedicated supporters of government spending projects cannot honestly object to that kind of test.

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What about the future of business? (More regulation by government? Less?)

What measures would you take to protect the environment?

Or, if those topics don't appeal to you, pick one that does.
How should our physical world be altered? Do you recommend that we live underground? In plastic bubbles?

Will family life change? Will we choose a spouse by computer? Will divorce become illegal?

What should our schools be like? Should machines replace teachers?

What will make us laugh? What will be funny that isn't funny now?

What new major sports would you like to see? Three-dimensional chess? Electronic billiards?

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